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THURSDAY SEPTEMBER 17 1998

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Fed plays down hope of rate cut

No loosening of US monetary policy in response to global financial turmoil

By Gerard Baker in Washington

Alan Greenspan, the chairman of the US Federal Reserve, yesterday played down the possibility of a concerted move by the world's leading central banks to cut interest rates to stop the spread of the global financial crisis.

"At the moment there is no endeavour to co-ordinate interest rate cuts," Mr Greenspan told a special hearing of the House of Representatives' Banking Committee on the international economic turmoil.

But the Fed chairman said the central bank officials of the Group of 10 leading industrial nations were in "fairly extensive conversations" about international financial conditions.

Mr Greenspan gave no repeat of his hint earlier this month that the US central bank was prepared to loosen monetary policy if international conditions deteriorated further. But he said that while the Fed's primary concern remained the condition of the domestic US economy, the impact of the problems in international markets was something it had to consider.

"While our actions must be focused on the American economy, there is no way we can do that without reference" to what was going on in the rest of the world, he said, responding to questions about the outlook for US monetary policy. The Dow Jones Industrial Index, which had gained ground before Mr Greenspan's comments on expectations of a rate cut, fell after he played down concerted action. It was down 37.33 points at 7,987.06 at 2.25pm New York time.

Many financial market economists had been hoping Mr Greenspan would give a clear indication that the US was prepared to cut interest rates soon, but in his prepared remarks, the Fed chairman made no mention of monetary policy. The Fed's policy-making open market committee next meets on 29 September and some analysts believe that if a rate cut was likely at that session, Mr Greenspan would have signalled it yesterday.

Instead he confined his observations to warnings against the rising tide of calls for controls on capital flows. He said such controls were difficult to remove once in place and meant the availability of necessary foreign capital would shrink significantly. "To be sure, any economy can operate with its borders closed to foreign investment," Mr Greenspan said. "But the evidence is persuasive that an economy ... inhospitable to risk capital, will be mired at a sub-optimal standard of living and slow growth rate."

Robert Rubin, the US Treasury secretary, told the committee that the US was prepared to do what was necessary to prevent the further spread of the crisis. He repeated the pledge by the Group of Seven leading industrialised countries this week to implement policies to promote sustainable growth, noting again that inflation was "low or falling in many parts of the world".

On Tuesday, Hans Tietmeyer, president of the Bundesbank, Germany's central bank, ruled out German interest rate cuts.

In talks yesterday with Kiichi Miyazawa, Japan's finance minister, Gordon Brown, the UK chancellor and current chairman of the G7 finance ministers, emphasised that the problem of Japan's ailing economy must be considered in a global context. The US and Europe had a strong interest in helping Japan by resisting protectionist pressures if monetary expansion should depress the yen and so promote Japanese exports, he said.

Additional reporting by Max Wilkinson in Tokyo

INSIDE

Global context: Gordon Brown, UK finance minister, and Japanese counterpart Kiichi Miyazawa in Tokyo yesterday AP

WORLD NEWS

Pressure grows for tougher action over killings in Kosovo

Britain and France are to push for a United Nations resolution imposing a worldwide flight ban on Belgrade and demanding that Yugoslav president Slobodan Milosevic stop the killing in Serbia's Kosovo province. London also abandoned its previous resistance to an immediate ban on Yugoslav airlines using European Union airports. **Page 3**

Italy urged to change air plan
Italy is being pressed to produce a new air traffic plan for its airport at Malpensa, outside Milan, after Brussels declared existing proposals illegal. **Page 2**

Basque terror group may call truce
The Basque separatist guerrilla group Eta is preparing to declare a conditional truce within the next few days, a Spanish newspaper reported. **Page 2**

Albanian opposition stages march
Albanian opposition leader Sali Berisha denounced government plans to prosecute him and his followers as coup plotters. The former president led a march through Tirana, where seven people have died in recent politically-inspired violence. **Page 2**

Iran set for army manoeuvres
Army divisions from nine Iranian provinces are heading for the Afghan border for manoeuvres that could begin as early as Saturday, the military said. **Taliban threat, Page 4**

Algeria report a 'whitewash'
Human rights group Amnesty International branded a UN report on Algeria a "whitewash". The UN document sympathises with Algiers' struggle against radical Islamists but blames it for some rights violations.

Indonesia to probe Suharto wealth
Indonesia is to investigate the wealth of former president Suharto as protests and rioting spread. The former president has denied amassing a fortune overseas. **Page 6**

NY shapes up for election fight
A tough election battle is in store for New York's senate seat after Democrats nominated Brooklyn congressman Charles Schumer to challenge Alfonse D'Amato, the current senator. **Page 9**

Pakistan balks at signing
Pakistan said it would not sign the Comprehensive Test Ban Treaty while subject to economic sanctions for conducting nuclear weapons tests in May. **Page 6**

Cambodia deaths raise questions
The UN human rights office in Cambodia said the bodies of two people in monks' clothing had been found since a clampdown on anti-government protests began last week. Buddhist monks have been forbidden to leave their temple grounds since joining protests against the ruling party's July election win.

Ex-PM enters WTO contest
New Zealand nominated former prime minister Mike Moore as third official candidate to succeed Italy's Renato Ruggiero as director-general of the World Trade Organisation. **Page 7**

Plastic menace for sacred cows
Hindu guru Swami Vasudevanand Saraswati wants plastic bags banned because hundreds of India's sacred cows have choked on them as they search the streets for food. At least 40,000 cows roam New Delhi.

BUSINESS NEWS

Shipping groups fined $298m over price fixing cartel

The European Commission imposed record fines totalling Ecu273m ($298m) against 15 cargo shipping groups for abusing their dominance of the market and operating a price fixing cartel. **Page 16**

Metro, Europe's biggest retailing group, launched a DM5bn ($2.7bn) reorganisation to simplify its structures. **Page 17**

Crédit Agricole Indosuez, investment arm of the French mutual banking group, blamed troubles in emerging markets for a 32 per cent fall in first-half net profits to FFr362m ($59.7m). **Page 20**

General Motors, the world's second largest carmaker, is to raise its stake in Japanese motor group Suzuki Motors from 3.3 per cent to 10 per cent. **Page 17; Observer, Page 15; Welcome boost, Page 18**

Compaq Computer, personal computer maker, is to target local consumer PC assemblers in Germany with a cut-price Dm1,699 ($1,007) machine built by a local partner. **Page 20**

NTT DoCoMo, the world's largest mobile telecoms operator, expects buying out partners and covering losses in its personal handyphone service to cost Y400bn ($3.05bn) this year. **Page 17**

Banco Bilbao Vizcaya of Spain took majority control of BHIF, Chile's seventh biggest bank, to 55 per cent with a Pta3.5bn ($24m) equity purchase. **Page 20**

Hyder, Welsh utilities and infrastructure group, is to sell its 35.8 per cent stake in the Czech Republic's second biggest water company. **Page 23**

Brierley Investments, New Zealand-based investment group, suffered a NZ$123m (US$63m) loss from the joint venture which bought the New Zealand Forestry Corporation. **Page 18**

Intel, US semiconductor maker, formed an internet multimedia technology and marketing partnership with specialist software group RealNetworks. **Page 19**

Dairy Farm, international retailing arm of the Jardine group, reported interim net profits more than doubled to $86.8m for the six months to June 30. **Page 18**

Chargeurs, French textiles group, further downgraded its full-year sales forecast, but reported a 23 per cent increase to FFr181m ($29.9m) in first half net income. **Page 20**

Tokyu, troubled Japanese department store group, said it would sell its third largest store and close several overseas operations. **Page 18**

Hongkong Land, one of the territory's biggest landlords, reported an 18 per cent decline in net profits to US$168.9m. **Page 18**

Campbell Soup, US food company, said it was thinking of setting up soup kiosks in shopping malls and airports. **Page 19**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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Toys R Us shuts stores in $495m revamp to shed warehouse image

By Richard Tomkins in New York

Toys R Us, the world's biggest toy retailer, yesterday moved to counter tumbling profits by announcing a drastic overhaul of its stores, including the closure of nearly 50 European outlets and the loss of 3,000 jobs worldwide.

It said the restructuring would bring an after-tax charge of $495m in its fiscal third quarter to October 31 – more than the company's net profits for the whole of the last financial year.

The move is intended to transform the company from a chain of cut-price toy warehouses competing with other discount stores into a retailer offering a much broader array of merchandise and services for children and families.

It said it would start remodelling its stores with a new format that would present goods in a completely different way, with separate departments for electronics, children's clothing and cut-price deals. To improve profitability, it would close 50 of its 448 international stores, as well as nine stores in the US.

Most of the international stores to be closed are in France and Germany. In addition, many Kids R Us clothing stores in the US will be merged into Toys R Us stores. The group's 60 stores in the UK are unaffected.

Mr Robert Nakasone, who took over as chief executive earlier this year, said the restructuring should improve operating profits by more than $75m next year, and by even more in following years.

The company's share price was little changed after the announcement, reflecting the market's wait-and-see attitude to the changes after several previous attempts to reinvigorate its flagging profits. In early afternoon trading, the shares were down $¼ at 18\frac{3}{16}$.

Ursula Moran, an analyst at Sanford C. Bernstein, said: "We don't yet know whether this new format will actually perform. They have tested elements of it in various places, but prior to this, they haven't tried bringing the whole thing together."

In the US, Toys R Us has been struggling for years against stiff competition from discount stores and membership warehouses, which sell the best-selling toys at even lower prices than Toys R Us.

Toys R Us has also been suffering from poor returns in Europe, where wages, real estate and distribution cost much more in the US.

This factor has proved the undoing of many other US retailers attempting to penetrate the European market.

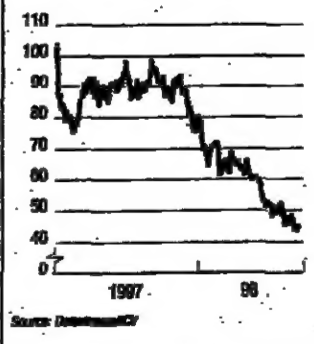
Analysts say Toys R Us has also been insufficiently responsive in adapting its formula to local conditions and consumer preferences in different European markets.

The closure of some European operations follows a decision by Toys R Us to adopt the management system known as "economic value added", which encourages companies to scrutinise each investment to determine whether it meets or exceeds their cost of capital.

The store redesign announced yesterday will replace the warehouse-style ambience with a more customer-friendly style. Each store will contain separate departments known as Media World for electronics, Kids Apparel for clothes, and Deal World for special promotions.

About 75 per cent of all US stores are due to be converted within two years.

Toys R Us
Share price relative to the S&P Composite



Source: Datastream/ICV

IMF sees growth down to 2%

By Richard Lambert and Stephen Fidler in New York

Intensifying global financial turmoil has led the International Monetary Fund to lower its estimate of world growth this year to 2 per cent, Michel Camdessus, IMF managing director, said yesterday.

The IMF, which will officially announce the figure early next month at its annual meeting, has been steadily downgrading its forecasts since a year ago, when it projected 4.25 per cent growth this year. Its last official forecast, published in May, was 3.1 per cent.

In an interview in New York, Mr Camdessus also said governments were considering a proposal to give the IMF powers to freeze bond issues temporarily, to help defuse international debt crises. The plan has emerged in response to the difficulty in resolving debt problems in Asia and in Russia since the onset of Asia's financial turbulence last year.

Mr Camdessus said the proposal – along the lines of Chapter 11 of the US bankruptcy code – was one of several ideas aimed at allowing debt restructurings without triggering legal action.

The freeze on bond settlements would last for two to three months, giving debtors and creditors time to negotiate without the threat of litigation. It would, however, require changes in the IMF's articles of agreement and is subject to agreement among its members.

Some governments opposed the measure, arguing it was cumbersome and would require changing legislation in many countries. Others favoured a less formal approach.

He said the IMF board had ratified the policy set in 1986 to allow the fund to lend to governments in arrears in their foreign debt payments "provided the prospect for a civilised dialogue with creditors exists".

Mr Camdessus said debt held in bonds, rather than bank debt as in the 1980s, was a complicating factor because it involved a much more diverse group of creditors who were "difficult to federate". But there was no "grandiose" new plan to handle the debt problem nor any enthusiasm for an international bankruptcy court, he added.

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WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8048.33	(+23.94)
NASDAQ Composite	1687.19	(+9.08)
Europe and Far East		
CAC40	3729.32	(+31.33)
DAX	4857.97	(+26.75)
FTSE 100	5291.7	(+10.0)
Nikkei	14,197.70	(-29.67)
US Lunchtime RATES		
Federal Funds	5¼%	
3-mth Treas Bills: Yld	4.77%	
Long Bond	[illegible]	
Yield	5.26%	
OTHER RATES		
UK: 3-mo Interbank	[illegible]	([illegible])
UK: 10 yr Gilt	115.7813	(115.656)
France: 10 yr OAT	108.32	(108.47)
Germany: 10 yr Bund	109.15	(109.31)
Japan: 10 yr JGB	114.88	(114.74)
NORTH SEA OIL (Argus)		
Brent Dated	$12.70	(12.685)

GOLD		
New York: Comex	$287.9	(290.2)
London	[illegible]	(289.7)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6762	
DM	1.6945	
FFr	5.678	
SFr	1.38725	
Y	135.13	
London:		
£	1.6758	(1.6738)
DM	1.6918	(1.687)
FFr	5.6757	(5.6565)
SFr	1.3939	(1.3829)
Y	134.9	(132.755)
Tokyo Close		Y 134.25
Sterling		
DM	2.835	(2.8237)

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Primakov rejects 'talk of red revenge'

By John Thornhill in Moscow

Yevgeny Primakov, Russia's prime minister, yesterday denied his government would revert to heavy-handed communist methods of running the economy as he appointed three moderate ministers to his cabinet.

"Talk of some sort of red revenge or the end of reforms is completely groundless," he said.

However, two more powerful voices were added to the campaign to print money to pay off wage and pension arrears.

Yuri Luzhkov, Moscow's populist mayor, condemned the monetarist policies pursued by "young and inexperienced" ministers in the previous government and called for the new government to print money in a meeting with Mr Primakov, he also urged the new government to nationalise some "criminally-privatised" companies and prosecute those responsible.

Sergei Yegorov, the president of the Association of Russian Banks, also called for a "just emission" of money to ease the liquidity problems in the country.

Mr Primakov, who must complete the formation of his government by tomorrow, has appointed Alexander Shokhin, the parliamentary leader of the Our Home is Russia movement, to a senior ministerial post.

Mr Shokhin, who will be responsible for relations with the international financial institutions, was closely involved in the reform drive in the early 1990s but has since called for greater state intervention.

Vladimir Ryzhkov, the first deputy parliamentary speaker who is also a member of the Our Home is Russia movement, was given ministerial responsibility for social issues. Vladimir Bulgak, a close associate of Victor Chernomyrdin, the former prime minister who heads Our Home is Russia, was reappointed as head industry and communications minister.

Yesterday's appointments moved Mr Primakov's cabinet closer to the centre ground but his intentions are being warily assessed by foreign investors, who fear the government may revise plans to restructure the government debt (GKO) market to their disadvantage.

Andrei Kozlov, first deputy chairman of the central bank, confirmed a new scheme to restructure the frozen GKO market had now been worked out.

The official rouble exchange rate fell heavily yesterday after strengthening earlier in the week. The central bank set the official rate for today at 12.45 to the US dollar, compared with 9.61 on Wednesday.

Capital Markets, Page 26

Crisis boosts energy sector

By Arkady Ostrovsky in Moscow

The balance of power between Russia's banking and energy magnates is being transformed by the country's financial crisis, with the once dominant banks losing out.

While most Russian banks have been severely hit by devaluation and by the government's default on its domestic debt, the oil and gas sector has gained.

Devaluation has lowered the break-even point for oil companies by about 20 per cent and is likely to continue to increase their profit margins as rouble costs fall relative to their hard currency revenues. According to Brunswick Warburg, the Moscow-based brokers, oil companies derive more than 50 per cent of their revenues from exports, while 90 per cent of their costs are in roubles.

The distinction between banking and oil is somewhat artificial because many big oil companies have been bought by the banks. But the durability of these relationships is now being questioned. "The era of consolidation between the oil sector and the banks may be coming to an end," says Stephen O'Sullivan, head of research at United Financial Group. "The financial crisis is revealing the inherent tension between the banking oligarchs and the oil companies."

These tensions are becoming more pronounced as the oil and gas companies gain support from the new government of Yevgeny Primakov, who has repeatedly stressed the priority of the "real" economy over the financial sector.

The good fortune of the oil sector could, however, be short-lived if hyperinflation brings the entire economy crashing down. "Who is going to invest long-term in an economy with hyper-inflation?" says Otto Latsis, one of Russia's leading commentators.

Some oil companies with high foreign borrowing have already been hit by the devaluation. Tatneft, for example, has accumulated debts of $900m and devaluation has raised the projected cost of servicing that debt from Rbs985m to Rbs1.8bn for 1998. Surgutneftegaz, one of Russia's most profitable companies, has dollar revenues of $1.5bn and no debts. But it has lost its savings as a result of the banking crisis.

"We do not even know how much we have lost," said Raisa Khodchenko, spokeswoman for Surgutneftegaz. "Like the whole country we feel we are flying over an abyss, not knowing what is underneath us."

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Editor Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Gerashchenko holds the key to markets' long-term future

If the crisis is badly handled Russians may never again trust their savings to local banks, writes **John Thornhill**

Last week Yuri Bystrov's patience snapped. After a St Petersburg bank repeatedly prevented him from withdrawing $14,300 from his savings account, the retired army captain walked into the bank's offices reeking of petrol and threatened to set himself alight. Local newspapers reported Mr Bystrov received his money – although the bank denied it for fear of encouraging copy-cat incidents.

In the past few weeks, as the country's banking system has ground to a halt, millions of Russians have experienced the same frustrations as Mr Bystrov. Household deposits have been frozen, transfer payments – including for wages – have not been made and thousands of companies have reverted to barter and cash transactions as the value of the rouble has plummeted.

How Victor Gerashchenko, the newly appointed head of the central bank, responds to this banking crisis will shape Russia's financial markets for years to come. If the crisis is badly handled, the fear is that Russians will never again trust their savings to any local bank.

Other east European countries have emerged from similar banking crises with strengthened financial systems after introducing stricter regulation and allowing foreign banks unrestricted access to their markets.

The banking system in Russia, though, has never played as significant a role in the economy as in many other countries. Such was the public's distrust of banks since the high inflation days of the early 1990s that the population's preferred method of saving has been to stuff US dollars under mattresses.

The high yields that could be obtained in the government debt (GKO) market also "crowded out" investment in the real economy. Russia's 1,300 banks came to resemble aggressive New York hedge funds, earning their money on capital market speculation, rather than German-style banks, making steadier returns from straightforward financial intermediation.

But the inherently fragile banking system was dealt two terrible blows on August 17 when the government devalued the rouble and froze the GKO market. At a stroke most of Russia's banking system was rendered insolvent.

Brunswick Warburg, a Moscow-based investment bank, estimates that bank losses now amount to 40 per cent of total banking assets.

At a recent press conference Alexander Smolensky, head of SBS-Agro, the biggest commercial retail bank, accused the central bank of in effect expropriating the banking industry's liquidity by forcibly restructuring government debt. "This so-called restructuring of the GKO market is just plain robbery: $20bn has been washed out of Russia's financial system. Like Bolsheviks, they just took away this money," he said.

Many Russian banks were badly exposed to the dollar forward market after the rouble's devaluation. They had also taken out big loans denominated in foreign currencies.

In responding to the crisis, the central bank has been caught in an agonising dilemma. Injecting liquidity into an unreconstructed banking system has had much the same effect as pouring water into a sieve. When the central bank lowered the banks' minimum reserve requirements from 10 per cent to 7.5 per cent last month, this extra liquidity simply flooded into US dollars, depressing the rouble and spurring inflation.

One former government minister says witheringly: "If you want to inject more capital into the banking system then this can be done. You can easily recapitalise the whole industry by using 'inflation tax' and taking $100 from 140m people."

But if the central bank maintains too tight a credit policy it risks aggravating the run on the banks and destroying the payments system within the country. Already the federal government reports that tax receipts have dropped because companies have been physically unable to transfer money to Moscow.

The central bank is creating a mechanism to protect all household deposits and is gradually putting some insolvent banks into administration. But many observers are calling for far more radical action.

Dmitry Vasilyev, head of Russia's Federal Securities Commission, argues that the central bank must lift its 90-day moratorium shielding banks from their foreign creditors and allow the market to determine which banks should fail.

"All restrictions on foreign banks operating in Russia should be removed," Mr Vasilyev adds. "The banking system must exist in the interest of the Russian people and Russian enterprise, not in the interests of a small group of bankers."

Some foreign creditors, though, fear the banks are using the cloak of the moratorium to strip their remaining assets, meaning there will be little to salvage when the moratorium is lifted.

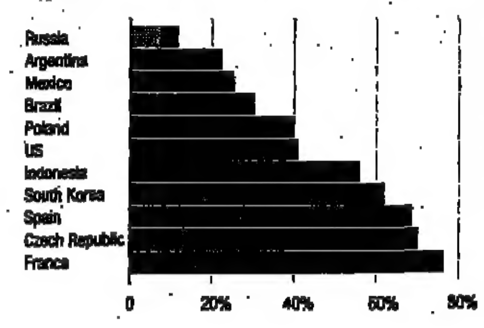
Oleg Babinov, director of the Moscow office of The Risk Advisory Group, an investigative consultancy, believes there has already been a massive transfer of funds out of troubled banks.

"If western creditors are allowed access to the assets of bankrupt Russian banks they will be very disappointed," he says.

'This so-called restructuring is just plain robbery. Like Bolsheviks, they just took away this money'

Russian banks: troubled

Bank deposits as a % of GDP



Source: IMF; Brunswick Warburg

* Excluding Sberbank

Losses incurred by Russian banks (year to date)

	Amount (Rbs bn except where indicated)
Forex translation loss ($bn)	1.5-3
Loss on forex-denominated securities ($bn)	4-5
Loan losses	100-130
Loss on GKOs*	40-60
Loss on equities	15-20
Total loss	190-260
Irrecoverable loss	130-190

Total reported for banking system, as at Jan 1 1998: assets Rbs623bn, capital Rbs150bn

* Market costs and forced restructuring

BASQUE SEPARATISTS SPECULATION GROWS ABOUT CEASEFIRE BY MILITANTS

Caution on Eta truce rumours

By David White in Madrid

Speculation is mounting in Spain about an imminent ceasefire announcement by Eta, the armed Basque separatist group, although its conditions would almost certainly be unacceptable to the government in Madrid.

Ministers have issued warnings about a "fake truce" which would provide a breathing-space for Eta and boost support for its political wing, Herri Batasuna (Popular Unity).

It would be the first suspension of Eta hostilities since a one-week truce in 1996, which the newly installed centre-right government rejected as a "trap". The government has consistently refused to consider talks on Eta's demands, which focus on the Basques' right to opt for independence.

Rumours that Eta might be preparing for a ceasefire have increased in the run-up to regional elections in the self-governing Basque country on October 25.

They have been strengthened by a lull in terrorist attacks since June, when an Eta car bomb killed a town councillor, the sixth politician from the ruling Popular party to be murdered in 12 months.

Eta, which has killed 770 people over the last 30 years, said in April it was "ready to learn" from the Northern Ireland peace agreement but gave no sign at the time that it was planning to cease hostilities.

A ceasefire would be seen as vindication for the Basque Nationalist party (PNV), the region's leading political force, which has incurred heavy criticism for its insistence on maintaining contacts with Herri Batasuna.

Herri Batasuna is contesting the elections in a wider coalition called Basque Citizens, in what appears to be a pre-emptive move against the possibility of being outlawed. This summer, its newspaper Egin was closed down on a judge's order for assisting Eta.

A controversial declaration last Saturday by Basque parties, unions and lobby groups, including the PNV and Herri Batasuna, proposed offering Eta talks "without conditions" and accepted that a permanent ceasefire might come only later in the process. Both main Spanish parties – the Popular party and the Socialists – strongly objected to the pact as serving Eta's interests.

The initiative was clearly in preparation for an Eta peace bid. However, two weeks ago Eta expelled José Luis Alvarez, a prominent member currently in jail in France, who argued for an end to violence. Security officials are afraid that Eta might yet put an end to expectations though a high-profile attack.

Italians defiant over airport

By James Blitz in Rome and Michael Smith in Brussels

The Italian government was last night under pressure to come up with a new air traffic plan for its airport at Malpensa, outside Milan, after the European Commission formally declared existing proposals illegal.

Claudio Burlando, Italy's transport minister, called the rejection of the existing Malpensa plan "absurd". He has vowed that the expanded airport – one of the biggest public sector projects launched in Italy for many years – would open on time on October 25.

However, transport ministry officials admitted Italy was now legally required to come up with a new decree on the flight plans for Malpensa and nearby Linate airports to overcome Commission concerns on competition.

Italy wants all airlines except Alitalia, its national carrier, to move to Malpensa, 50km from Milan. Linate airport, which currently serves the city, is only 10km away. Nine leading European airlines have complained this would give Alitalia an unfair advantage as international travellers would be likely to depart from Linate and fly to Alitalia's Rome hub rather than endure the trip to Malpensa.

Mr Burlando said: "Malpensa will open on October 25. There will be a new plan [for air traffic] and I do not exclude recourse to the European Court of Justice."

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ENLARGEMENT DEBATE NEW GOVERNMENT WANTS TO JOIN 'FAST-TRACK' ENTRANTS

Malta knocks at EU door again

By Michael Smith in Brussels

Malta's application to join the European Union has been swiftly resuscitated by its new government and the island republic – or at least half of it – waits expectantly.

But how realistic is it that the trio of Mediterranean islands with 370,000 inhabitants should be able to jump ahead of five other EU applicants and join another six already embarked on "fast-track" negotiations?

Two years ago Malta was, with Cyprus, at the head of the queue, with the promise of early entry talks in the bag. But in October 1996 the Labour party won elections and promptly withdrew the EU application.

When the door revolved again last week and the Nationalist party won the biggest election victory in Malta since the second world war it wasted no time in renewing the application. "Now we are where we were 22 months ago," enthused Guido de Marco, the foreign minister, after formally re-submitting the application this week.

In Brussels, however, the mood is less euphoric. One concern is that Malta may change its mind again: even if it were given fast-track status, entry negotiations could go beyond the next general election.

Mr de Marco said the EU need not fear. His party had won all elections since 1981 except that in 1996 and it had always been pro-EU.

A second problem is Malta's size. It would be the smallest EU nation and its candidature will renew debate on such questions as whether all countries should be allowed to nominate members of the Commission, as they do now, or hold the rotating EU presidency.

Malta's supporters say Cyprus, with 620,000 citizens, and Estonia, with 1.5m, are not much bigger, and they are both in the fast-track entry talks, along with Poland, the Czech Republic, Hungary and Slovenia.

A further potential difficulty is that Malta's request could spark a push by the five countries in the second wave of countries seeking entry – Bulgaria, Romania, Lithuania, Latvia and Slovakia – to move up a league.

"No one is against Malta but it is a question of whether anyone tries to exact a price," said one diplomat. One theory is that Sweden will try to push its fellow Baltic states of Latvia and Lithuania into the fast-track group.

All of these issues can be resolved, however. Malta also has the advantage of a favourable opinion from the Commission on its suitability for membership, given in 1993, and it has a relatively mature economy.

On balance, diplomats say, Malta is more likely than not to win fast-track status but it will not know until the Vienna summit of EU heads of government in December.

NEWS DIGEST

TRADE UNIONS

Plans for Europe-wide collective bargaining

Emilio Gabaglio, general-secretary of the European Trade Union Confederation, said yesterday that his organisation favoured drawing up guidelines for union negotiators across the European Union. Such a step would seek to promote European-wide collective bargaining in response to the creation of the euro.

Meetings have already taken place with trade union federations on the new structures required to carry out this approach. Next year's conference of the ETUC in Helsinki is expected to endorse the new collective bargaining agenda.

Unions from Germany, Holland and Belgium met last week to agree a common collective bargaining agenda in pay negotiations. This is seen as a prototype of the kind of system that could be introduced at EU level.

The leaders of the ETUC are meeting members of the European Central Bank in Frankfurt on November 24 to discuss the establishment of a formal social dialogue between trade unions and the bank. Mr Gabaglio said the ETUC's long-term aim was the "creation of a European system of industrial relations". This would complement existing bargaining structures at national, regional and workplace level. **Robert Taylor, Blackpool**

GERMAN TRADE

Monthly surplus climbs

Germany recorded in July its highest monthly trade surplus since 1988, with the surplus climbing to DM14.2bn ($7.8bn) from DM11.2bn in the same month last year. Preliminary figures released yesterday by the federal statistics office in Wiesbaden show German companies exported goods worth DM85bn in July, a year-on-year increase of 7.7 per cent. Imports rose 4.6 per cent to DM70.8bn.

Despite the July figures, Hans Peter Stihl, president of the German chambers of industry and commerce, warned that export growth had slowed in the summer months. There was growing insecurity among exporters because of the recent economic crises, he said. **Tobias Buck, Bonn**

BUNDESBANK REPORT

Business shrugs off crises

The international financial crisis has had little effect on the German economy so far this year, the Bundesbank said in its latest monthly report. German businesses remained cautiously optimistic despite the international turmoil.

The central bank said the relative slowdown in growth during the second quarter was merely a "technical reaction" after the opening period was boosted by special factors, including a mild winter. Investment activity and future investment intentions also remain positive. The bank said the economy faced neither deflationary nor inflationary threats at present. The low rate of inflation was consistent with price stability and would allow interest rates to remain moderate.

The bank confirmed the labour market had turned the corner during spring, as the seasonally adjusted number of employed rose by 100,000 from the start of the year. Tax revenues also increased. **Wolfgang Münchau, Frankfurt**

SCHENGEN ACCORD

Action on illegal immigrants

Action to tackle illegal immigration and cross-border criminality was agreed yesterday by ministers from Schengen agreement countries at a meeting in Bonn. The Schengen agreement, which came into force in 1995 to eliminate border controls between European states, currently involves Germany, France, Italy, Spain, Portugal, Austria, the Netherlands, Belgium, Luxembourg and Greece.

Yesterday's meeting agreed on "immediate and consequent" extradition of illegal immigrants, intensive controls on Schengen area borders and the taking of fingerprints from all illegal immigrants.

"Schengen is not only about freedom of movement, but also about making borders secure," Manfred Kanther, Germany's interior minister, said after the meeting. He added that the line of action approved yesterday would help reduce illegal immigration from Kosovo and North Africa.

The conference also agreed on setting up a standing committee to monitor the progress of prospective Schengen members. **Tobias Buck**

SINGLE CURRENCY

Companies 'well informed'

Deutsche Bank said yesterday that companies in the euro zone were, on the whole, well informed about the European single currency with just over three months to go before its launch. "Among large corporates, the Dutch are clearly ahead: half of them feel 'very well' informed and the other half 'well' informed," said a Deutsche spokesman after a survey of 1,000 companies.

In comparison, only 13 per cent of Italian companies surveyed felt very well informed and 57 per cent well informed.

The survey was carried out in Germany, France, Italy, Spain and the Netherlands by Deutsche in collaboration with the Emnid polling institute.

In Germany, 90 per cent of small and medium-sized companies described themselves as very well or well informed, the spokesman said.

About 40 per cent of companies in the five countries planned to convert their bank accounts to euros on January 1 or in the course of 1999. **Reuters, Frankfurt**

EUROPEAN PARLIAMENT

Plans to overhaul allowances

Leaders of the European Parliament were last night voting on plans to overhaul the lavish system of MEPs' allowances, after stinging criticism from the European Union's spending watchdog. The parliament's bureau, or cross-party political leadership, was due to vote on two plans changing the controversial system of lump-sum payments to cover MEPs' travel costs between their homes and parliament meetings in Brussels and Strasbourg.

One plan – by Richard Balfe, a British Labour MEP – would replace lump sum payments with reimbursement of travel costs. A second proposal, from José-María Gil-Robles, parliament president, would introduce reimbursement of business class air fares, plus a top-up payment on a sliding scale depending on the distance of an MEP's home from Brussels, to cover additional travel costs.

The EU's Court of Auditors last month found MEPs' travel expenses in 1996 totalled Ecu27.6m ($30m) – 30 per cent higher than the cost of flying every single journey business class. But with the planned changes causing deep splits among political groups, some officials suggested the bureau might adopt neither plan but launch a further probe into the issue. **Nell Buckley, Strasbourg**

صحكنا من الاصل

UK imposes Yugoslav airline ban

By David Buchan in London, Laura Silber in New York and Quentin Peel in Brussels

Britain and France said yesterday they would push for a United Nations resolution imposing a worldwide flight ban on Belgrade and demanding that Slobodan Milosevic, Yugoslav president, halt the killing in the Serbian province of Kosovo.

The UK government also barred JAT from UK airports from today, abandoning its previous resistance to immediate implementation of a European Union ban on Yugoslav carriers.

London claimed that, by his behaviour in Kosovo, Mr Milosevic had "morally and politically forfeited" the normal 12 months' notice Britain would have given before excluding his airlines.

A UN resolution would provide a convenient pretext for Britain to align itself at last with the majority of EU states. The Security Council move was devised with Hubert Védrine, French foreign minister, who spoke yesterday with Robin Cook, UK foreign secretary.

French officials in Paris said they shared Britain's gloomy appreciation of the worsening plight of refugees in Kosovo, faced with reprisal attacks by Serb police in the last two weeks, the onset of colder weather, chaos in neighbouring Albania and the closure of the border with Montenegro.

The Anglo-French draft resolution would not authorise use of Nato force in Kosovo, something which Britain and France recognise their fellow permanent Security Council member, Russia, would still veto. But it would demand a ceasefire, withdrawal of Serb special police, better access by humanitarian agencies to refugees, as well as dialogue with the ethnic Albanian majority.

"We have been waiting for the right moment [for this resolution]", said a UK official, "and there are some signs now from Moscow of willingness to consider this". But diplomats cautioned that getting a resolution through the Security Council could take time.

The six-nation contact group on Kosovo, comprising the big western powers plus Russia, is to hold in New York next week its first ministerial meeting since May.

Chris Hill, the US troubleshooter on Kosovo, yesterday briefed Nato ambassadors in Brussels on the situation in the province. Afterwards a Nato spokesman said the alliance remained ready to intervene militarily if need be.

"We have completed a series of options and are ready to use those options if necessary", he said. Initially, the Nato military insisted that their first step would be destruction of all Serb air defences, a drastic precondition that effectively frightened Nato into inaction. But Nato is understood to have since worked out some intermediate options.

Serbs throw doubt on poll

By Guy Dinmore in Belgrade

The western organisers of last weekend's elections in Bosnia were accused by a coalition of ultra-nationalist Serb parties yesterday of preparing to falsify the results.

Diplomats fear the elections, in which Biljana Plavsic, the western-backed president of the Serb-controlled half of Bosnia, appears to have lost power, could deliver the most serious blow to the Bosnian peace process since the US-mediated Dayton accord ended the civil war nearly three years ago.

"We all feel sick. It's a terrible blow," said one western official in Bosnia. "We have to rethink our strategy."

The Serb accusations arose from the decision of the Organisation for Security and Co-operation in Europe (OSCE) on Tuesday to withhold preliminary election results.

According to diplomatic sources, Nikola Poplasen, leader of the hardline Radical party, is heading for an unexpected victory over Mrs Plavsic. Diplomats said about 25 per cent of the vote had still to be counted but it was unlikely Mrs Plavsic would catch up.

With Serb hardliners in power, and Moslem and Croat nationalists ruling the other half of Bosnia, the slow process of refugees returning to areas where they would be in an ethnic minority is likely to grind to a halt.

The rate of "minority returns", as the process is known, is seen by western governments as the litmus test of the Dayton peace process. One diplomat predicted that almost all aid would be cut off from the Serb half of Bosnia and there would be mounting pressure, especially from the US, to reduce the 32,000 Nato-led troops based in the country.

The Radicals and their allies said in a statement they suspected the OSCE would manipulate the results.

Mr Poplasen also accused the OSCE of threatening to strike him off the list of candidates for allegedly breaking the 24-hour period of pre-electoral silence.

The OSCE denied the results would be fixed. "We've created such a system that even if we wanted to it would be very difficult," a spokesman said.

Final results will not be known until the end of this week at the earliest.

Berisha calls for more protests

By Guy Dinmore in Belgrade and AP in Tirana

Sali Berisha, Albania's former president, yesterday defied government warnings that he faces prosecution for attempting a coup and called on his supporters to stage national protests today.

Parliament met to consider lifting Mr Berisha's immunity from prosecution but a decision was put off, possibly for several days. The prime minister, Fatos Nano, has accused Mr Berisha of trying to overthrow the Socialist-led government by inciting his armed supporters to attack official buildings. Seven people were killed in two days of violence and looting this week.

Mr Berisha denied there had been a coup attempt and called the government's moves to prosecute him "an act of madness and real national betrayal".

Tirana was calm yesterday. Western diplomats said Mr Nano and the police had established their authority but it was too early to say whether the crisis would be resolved through arresting Mr Berisha or negotiating with him.

Opposition supporters started attacking Mr Nano's offices on Sunday in anger at the killing by unknown gunmen of Azem Hajdari, a leading figure in Mr Berisha's Democratic party.

Today's rallies will be a test of Mr Berisha's ability to mobilise people across Albania. This week's protests attracted scant support in Tirana.

Mr Berisha said yesterday his followers – who helped to end Albania's communist regime in the early 1990s – would oust the "dictatorship of the terrorists", meaning Mr Nano.

The crisis has raised fears of nationwide unrest reminiscent of the months of anarchy that struck Albania last year following the collapse of pyramid investment schemes that cost many people their life savings.

Mr Berisha was president during the pyramid investment crisis and elections in its aftermath led to his removal from power and the rise of Mr Nano's former communists in the Socialist party.

Mr Berisha has not only been tapping the outrage over Hajdari's killing, but also widespread disappointment with the government's inability to revive the economy and restore confidence in the nation's future.

Germany's free marketeers fight for political survival

With just over a week to go to federal elections, the FDP is undeterred by a setback in Bavaria, writes **Ralph Atkins**

German elections

Can Germany's small Free Democrat party snatch victory from the jaws of defeat – not just for itself but for Chancellor Helmut Kohl?

Little more than a week before the general election, the fortunes of the market-oriented junior partner in Bonn's ruling coalition have sunk to a new low. State elections in Bavaria on Sunday saw the FDP's share of the vote fall from 2.8 per cent in 1994 to 1.7 per cent.

"The FDP practically disappeared in Bavaria – and at the very least that is a pointer about the future of the Kohl government," says Oskar Lafontaine, chairman of the Social Democratic party (SPD), which looks set to become the biggest party in parliament after September 27's federal contest.

The Bavarian result raised the possibility of the FDP failing to reach the 5 per cent threshold set to exclude extremists from the Bundestag, the lower house of parliament. Without the FDP, Mr Kohl would have no chance of rebuilding his government.

But under the country's sometimes perverse electoral system, the FDP, the nearest Germany gets to a US-style free-market liberal movement, is far from written-off.

Hans-Jürgen Beerfeltz, the party's campaign manager, says the party will build on the broader message from the Bavarian result – that the outcome of the federal election is still undecided. While the FDP fared disastrously, the SPD hardly triumphed, slipping from 30 per cent of votes cast to 28.7 per cent. Meanwhile, an increased vote for Bavaria's Christian Social Union has lifted the spirits of its sister party – Mr Kohl's Christian Democrat Union.

"That the [federal] race is once more open is a crucial advantage for us," says Mr Beerfeltz. "We are needed more than we were before ... If the government has a chance, it has only a chance with us."

The FDP hopes to exploit the system which gives electors two votes each. The first is for constituency MPs, among whom the FDP has little hope of representation. But the second vote is for a party and determines the overall composition of the Bundestag.

The FDP believes it can persuade sufficient supporters of Mr Kohl's coalition, or those who simply believe free-market rightwingers should have a voice, to exercise their second vote in the FDP's favour.

That could be fertile territory. An Allensbach poll in yesterday's Frankfurter Allgemeine newspaper showed 27 per cent of the population agreeing with the statement: "We need the FDP."

To underline the message the FDP has launched a DM1m ($600,000) advertising campaign for the last week of the contest, portraying itself as essential for heading off a "red-green" government of Social Democrats and the pacifist Green party.

The party is also playing on fears that the SPD's chancellor-candidate, Gerhard Schröder, would have to rely on support from the Party of Democratic Socialism (PDS), successor to East Germany's communists.

"What will be passing through voters' heads is whether you can really trust Schröder as head of a red-green government. Should this country depend in the future on the PDS ..? That is what the campaign has to focus on," says Mr Beerfeltz.

It is all a bit demeaning. The FDP is having to run a tight campaign after its budget was slashed to DM6m from DM20m in 1994 due largely to a cut in state funding.

At the same time Free Democrat policies – including radical tax cuts and curbing the role of the state – have been pushed into the background. Although the FDP has served as a free-market conscience in Mr Kohl's government, helping, for instance, to create one of the world's most liberal telecommunications markets, it remains largely marginalised in German political debate.

Part of the problem is internal: for much of the past year the party has been dogged by internal policy disputes. Wolfgang Gerhardt, chairman, and Guido Westerwelle, general-secretary, have been criticised for focusing too much on economic themes at the expense of social issues.

With opinion polls showing the FDP hovering only just above the 5 per cent level, such debates have had to be put off until after the election. The task now is simply survival.

On the campaign trail: FDP leaders (from left) Guido Westerwelle, Wolfgang Gerhardt and Klaus Kinkel refuse to accept election defeat AP

Regional power games played out on border between Afghanistan and Iran

Moderates in Tehran are hoping that the sabre-rattling will not lead to war with Taliban militia, writes **Mark Huband**


Demonstrators outside Tehran university yesterday protest at Afghanistan's Taliban movement

Afghanistan's Taliban militia threatened yesterday to attack Iranian cities if the diplomatic crisis which has led to a massive military build up along their common border leads to armed conflict.

A Taliban spokesman issued the threat in response to a call by Ayatollah Ali Khamenei, Iran's supreme leader, for the armed forces to be placed on alert following the murder by Taliban forces of seven Iranian diplomats and an Iranian journalist in Afghanistan.

"Iran must know that if the soil of Afghanistan is attacked, we will target Iranian cities and the entire responsibility will rest with Iranian authorities," Wakil Ahmed, a Taliban spokesman said.

The Taliban says it has deployed 25,000 troops along the border. Iran is sending up to 200,000 troops to the area in advance of military manoeuvres scheduled to start on September 23.

However, Iran's moderates have pushed for a military conflict to be avoided as signs have begun to emerge of what the implications would be for central Asia, Iran and Pakistan.

Central to their concerns is the fact that the leading role such a conflict would give its armed forces could result in a resurgence in the power of conservative politicians and military officers. Former conservative stalwarts of the regime have been sidelined since the moderate President Mohammed Khatami's dramatic election victory last year.

One sign of a possible conservative backlash emerged yesterday when a leading pro-Khatami newspaper, Tuz, was banned, hours after the conservative Ayatollah Khamenei accused some Iranian newspapers of apparently bolstering the Taliban position.

However, all sides of the Iranian political leadership have adopted a cautious approach to the crisis. "All the Iranian government statements have been carefully worded. None of them has declared a readiness to go to war with Afghanistan," said Konstantin Shuvalov, Russian ambassador in Tehran.

"I have practically no doubts that the Iranians have no plans for military action involving crossing their border with Afghanistan. The Iranians would prefer to act politically. They have other possibilities, as it is an international issue, and also a humanitarian issue," he said.

However, the Taliban's anti-Iranian propaganda and the militia's claim to having created an Islamic state that overshadows its neighbour's own 19-year-old Islamic republic, goes to the heart of Iran's identity.

"The Taliban represent a religious challenge to the religious state of Iran," said a western diplomat in Tehran. "Iran's is not a confident government, and the hardliners will need to be kept happy.

"But there is less distance between Khamenei, Khatami and [former president Hashemi] Rafsanjani in private than in public. I think they will find a get-out. But it will have to consist of pretty hardline international action directed against Taliban. That would go some way towards solving the crisis, if Iran were to be seen [by its own population] as being taken seriously," he said.

But if international action to moderate the Taliban and force it to accept UN resolutions calling for a ceasefire, the respect of minority rights and the creation of a broad-based government, is to have any chance of success, much depends on Pakistan.

But diplomats and regional experts believe increasingly that Pakistan, which created the Taliban in 1994 with Saudi Arabian finance, will soon find its protégé refusing to heed its demands.

If the UN cannot force the Taliban to apologise for the killing of the diplomats and halt the military campaign which now threatens Afghan Shia Moslems – for whom Shia Iran feels responsible – Tehran will find it difficult to ignore the Taliban challenge.

And if they were to go to war, Pakistan would be held partially responsible for a conflict that could quickly become a bloody quagmire.

Moreover, the regional power play which saw Pakistan support the Taliban, while Iran and Russia bolstered the (((former government of President Burhanuddin Rabbani, appears merely to have worsened regional stability.

The US would also come in for heightened criticism if there is a war.

"The US made the error of not really caring what two of its allies – Pakistan and Saudi Arabia – were doing," said one European diplomat in Tehran. As a result the Iranians are even more convinced that the US is content to see instability in the region if it undermines Iran.

But even as the Taliban's backers find their strategy unravelling, the US will find it difficult to extricate itself from its obligations to Pakistan. Such a move would mean deserting its long-time ally and accelerating US-Iranian reproachment with the aim of bolstering Iranian-led opposition to the Taliban.

But war could force the issue. And if the US did change sides, choosing to rebuild its shattered relationship with a resurgent Iran, it would bolster the central Asian republics of Uzbekistan, Tajikistan and Turkmenistan in their efforts to halt the spread of Taliban influence.

"The very presence of a force like the Taliban on the border of the central Asian republics, is a destabilising factor for them and their very existence as states is jeopardised," said Mr Shuvalov.

The bolstering of the moderate Khatami government in Iran is also vital to Russia's strategy, as Russia fears the influence of Saudi-backed Wahhabi Islamist missionaries in the North Caucausus, Dagestan and within the Russian federation.

"Russian weakness is a worry to Iran, because it wants Russia to have a balancing influence with the US," said a western diplomat in Tehran. "So, Iran has been playing by the rules, sublimating its Islamic agenda in favour of closer ties with Russia."

Poorer nations hold key to saving ozone layer

By Frances Williams in Geneva

The fate of the world's protective ozone layer depends mainly on the actions of developing countries and Russia, the United Nations Environment Programme (Unep) says in a report released yesterday.

These countries account for 80 per cent of production of chlorofluorocarbons (CFCs), the most prevalent ozone-eating chemical, and 100 per cent of halon production, Unep says. CFCs are used primarily in refrigeration and air-conditioning systems, while halons are widely used in fire extinguishers.

Measures by industrialised countries to end production of CFCs, halons and some other ozone-depleting chemicals by 1996 have already had an impact in reducing their concentrations in the atmosphere, the report says.

Environmental experts expect the ozone layer, which shields the earth from damaging solar radiation, to be at its thinnest in the next few years and then to recover slowly to more normal levels by the middle of the next century.

However, Unep cautions that this will happen only if developing countries and Russia play their part, for which they will need adequate financial help to make the switch to ozone-friendly technologies.

The Montreal protocol on ozone-depleting chemicals, adopted 11 years ago yesterday, gave poorer nations a grace period before they had to comply with controls on ozone-eating substances.

As from next July, however, developing countries will have first to freeze and then to phase out by 2010 all production of CFCs, halons and another ozone-gobbler, carbon tetrachloride.

Meanwhile, Russia and other former communist countries, which failed to meet the timetable set for industrialised nations, have pledged to cease production by 2000 and clamp down on illegal exports of CFCs to the developing world.

They are receiving assistance from the World Bank and the UN/World Bank Global Environment Facility which has already disbursed \$111m to 11 countries.

Developing countries are being helped by a multilateral fund set up under the Montreal protocol, which has so far given \$760m to more than 100 developing countries to cut their CFC consumption by half. Replenishment of the fund for the three years 2000-02 will be negotiated in late 1999.

NEWS DIGEST

UN PANEL ON ALGERIA

Report pleases Algiers but angers Amnesty

The Algerian government yesterday expressed satisfaction with the conclusions of a United Nations panel report, and rejoiced in the dissatisfaction of human rights organisations. The report on the July visit of a panel led by Mario Soares, the former Portuguese president, called for supporting the Algerian government's anti-terrorism struggle. It also urged the authorities to reinforce civilian government and accelerate privatisation as well as quickly address complaints of arbitrary detentions, extra judicial execution and disappearances.

Amnesty International yesterday criticised the report as a "whitewash" and said it blatantly failed to address key issues in the human rights crisis. Maintaining its calls for investigations by independent human rights experts, the London-based organisation said the UN panel report had a tendency to report the government's analysis of "terrorism" and gloss over violations by government forces, which undermines its credibility. **Roula Khalaf, London**

MILLENNIUM BUG

Warning to insurers

Some oil and gas operators still have no millennium bug compliance programme in place and insurers should be wary of giving them cover, an industry conference was told yesterday. James Miller, chief engineer at the energy division of insurer AIG Europe, told the International Union of Marine Insurance conference in Lisbon: "Some companies appear to have no programme whatsoever, others have indicated that they intend to implement superficial fixes such as trying to switch back all their computer clocks by 20 years. These companies should be of concern to insurers," he said.

Mr Miller said the sector was vulnerable to extensive damage from the millennium bug – the problem caused because computer date systems are unable to recognise the year 2000. Gas detection systems, control valves, fire pumps and monitoring equipment all rely heavily on embedded computer chips which could suffer from the bug if undetected, he said. "What might have been a very small or non-existent claim could be magnified into a claim worth ten of millions of dollars, and realisation for these companies may come too late," he said.
Reuters, Lisbon

WEST BANK CASINO

Hamas expresses disapproval

Hamas, the Islamic Resistance Movement, said yesterday that a new casino in the West Bank would put people "on the path of the devil" and criticised the Palestinian Authority for allowing it to operate. Hamas, whose armed wing has killed scores of Israelis in suicide attacks, said the Oasis Casino in Jericho – the first on Palestinian self-rule territory – would serve "Zionists" and the rich.

Islam prohibits gambling and the consumption of alcohol, which flowed freely at an invitation-only opening of the glitzy, security-ringed complex on Tuesday night. The Austrian-run casino, across the road from a Palestinian refugee camp, opened to the public yesterday.
Reuters, Jerusalem

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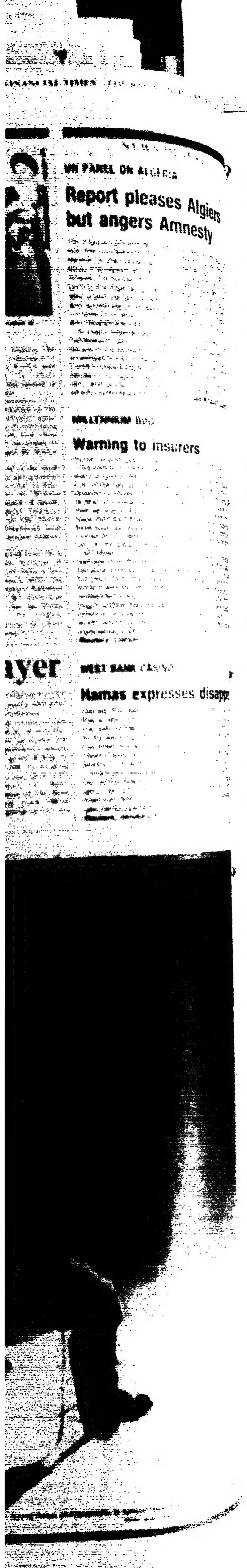
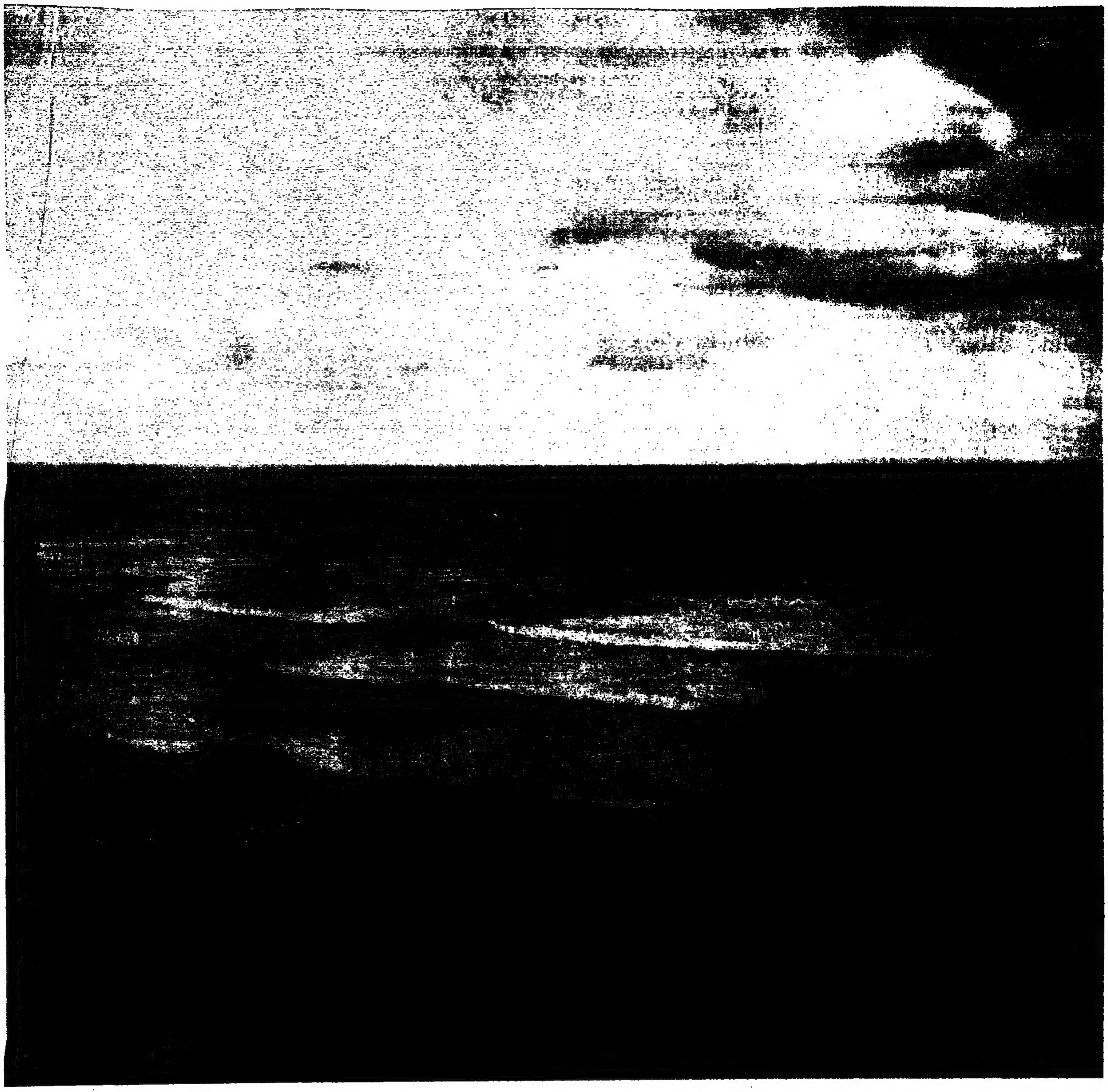




FINANCIAL SCANDAL SUPPLIER ALLEGED TO HAVE NEGOTIATED REDUCED PAY-BACK IN EXCHANGE FOR OFFERING JOBS TO RETIRED BUREAUCRATS

Top Japanese defence official faces dismissal

By Michiyo Nakamoto in Tokyo

Japan's top defence agency bureaucrat will be sacked in the wake of a financial scandal that has hurt the reputation of the agency and of leading Japanese companies which supply it with equipment.

Masahiro Akiyama, administrative vice-minister, will be dismissed from his post once prosecutors complete their investigation into a widening scandal at the agency involving breach of trust and destruction of documents that could serve as evidence. Mr Akiyama has already indicated his willingness to take responsibility for his department's failures.

The scandal, which has further damaged public trust in the Japanese bureaucracy, highlights the collusive relationship between bureaucrats and business in Japan.

Prosecutors believe the defence agency's procurement division allowed Toyo Communications Equipment, a subsidiary of NEC, the electronics company, to slash from Y3.56bn ($19.2m) to Y874m ($6.6m) the amount it was to pay back to the agency after an investigation revealed Toyo had overcharged it for supplies. In exchange, Toyo allegedly agreed to hire officials from the agency after they retired.

Furthermore, the prosecutor's office believes agency officials systematically destroyed documents at the instruction of senior officials several times between last autumn, when the scandal first erupted, and earlier this month when prosecutors first raided the agency.

Mr Akiyama, who joined the defence agency from the finance ministry, was the highest ranking bureaucrat in the agency when the alleged destruction of evidence occurred.

Prosecutors have raided the agency twice and have arrested nine people in connection with the scandal, including former defence agency officials and executives at Toyo and NEC. In an unprecedented move, prosecutors also questioned defence agency top officials about the alleged destruction of related documents.

The scandal has come at a difficult time for the Japanese government, which is under pressure to review security in the wake of a North Korean missile launch over Japanese territory last month. The decision to punish Mr Akiyama reflects growing concern that unless the scandal can be put behind it, the agency will be hobbled in its efforts to review Japan's security arrangements to meet what is perceived as a higher threat from North Korea.

It has been accepted that the missile was carrying a satellite that failed to reach orbit, but Japan is taking seriously the fact that Pyongyang has the capacity to strike at Japanese soil.

Meanwhile, public outrage over the scandal means the government is under pressure to take decisive action in punishing those responsible for discipline in the agency.

Local authorities shy at taking on extra debt to help give a boost to economy

Gillian Tett on why a rebel prefecture is a threat to hopes for a series of stimulus packages

In Japan's cyberspace this autumn an unusual hint of rebellion has emerged. For with the economy slumping, Kanagawa, a large prefecture, posted a statement on the internet this week warning that it would be forced to cut spending because of a mounting financial crisis.

"The prolonged period of recession has given a severe blow to the prefecture's finances," the appeal declares on the Kanagawa home page. "The situation now is extreme... We have to cut costs for projects."

The timing is no accident. For Kanagawa's move comes as Japan's central government is trying to force local government bodies to increase – rather than cut – spending on public infrastructure. The step by Kanagawa, which includes the wealthy city of Yokohama, appears designed to be a pre-emptive political gesture to fend off central government pressure.

It is not yet clear whether Kanagawa's move heralds a much broader regional revolt, but if dozens of other prefectures also reduce spending, the ensuing cutbacks could deliver a new blow to domestic demand.

More alarmingly, they would also potentially rob the government of one of its few remaining policy tools to boost growth – increases in public spending via the so-called "stimulus" packages.

The issue is particularly critical because local government in Japan has implemented about three-quarters of the Y75,000bn ($565bn) in "stimulus packages" that Japan has introduced since 1992.

The system for designing these projects – and their funding – is fiendishly complex. But broadly they fall into two categories: some are funded and planned by central government, and thus require the local authorities simply to implement the spending; others are designed according to a central plan but are partly financed by local authorities themselves through local tax receipts and bond issues.

Earlier this year the government announced a new Y16,700bn package, containing some Y7,700bn worth of new public spending, of which at least Y1,500bn is "independently" financed by local government.

Though the package started in April there has been little evidence of any effect. In July construction orders were 14 per cent down on a year-on-year basis. Public works contracts actually fell 7.3 per cent between April and July.

The Ministry of Finance insists this simply represents a timelag and points out that the central-funded part of the stimulus package will come into effect during the autumn.

However, some economists suspect that the real problem is that local authorities are increasingly unwilling to spend additional funds, given that earlier stimulus packages have left their debt levels spiralling.

For although no other local government body has quite taken Kanagawa's step yet, several, including Tokyo and Osaka, have recently told the central government that they are reluctant to start new projects.

"A deterioration in local government finances is largely responsible for the delays in public works," says Tetsufumi Yamakawa, economist at Goldman Sachs.

Kanagawa, for example, expects to have a Y220bn deficit next year because of a recent sharp fall in corporate tax receipts. Though Kanagawa has fewer financial reserves to cushion the blow than many other prefectures, its problem is widespread.

In 1996 total local government debt stood at Y103,300bn, or 191 per cent of local government tax revenue. Since then, the situation is believed to have become much worse, though figures are not available.

Nonetheless, many observers still suspect that local government will eventually fall into line with most central government plans.

The ministry, after all, still has considerable leverage over rebellious local authorities, since it decides subsidy levels. It also has another implicit weapon: the threat of liberalising the regional bond market.

At present all prefectures are forced to issue their bonds at the same interest rate. But liberalisation would potentially punish weaker authorities by pushing up their borrowing costs. It is a step that such areas as Kanagawa do not wish to see.

As Eisuke Sakakibara, Japan's vice minister of finance for international affairs, put it: "Central government will use every type of arm-twisting and leverage" to make sure local government bodies spend the stimulus package.

But even if this does eventually deliver the spending, it may be a temporary victory. For with Japan's budget deficit ballooning, credit rating agencies such as Moody's are already warning that local government debt levels are unsustainable in the long term.

In the short term, there is already another looming area of revolt – tax reform. For in addition to raising spending, the ruling Liberal Democratic party hopes to cut local corporate taxes next spring, which could further reduce local government revenues. Indeed, some bureaucrats suspect that it was the tax issue, above all, that prompted Kanagawa's statement.

"If the economy gets worse, tax receipts will keep falling and so there will be more protest," says one bureaucrat.

Though this prospect is prompting alarm in the ministry, it may also – perversely – provide some outside investors with a new reason for hope. "I take [Kanagawa's action] as a very good sign," argues Brian Rose, economist at Warburg Dillon Read. "What it means is that there is pressure finally building for reform. The situation cannot continue for ever."

Spending switch urged from rural areas to cities

Japan must urgently revise its system for allocating public spending projects to give greater priority to urban areas, a leading Japanese businessman has warned, **Gillian Tett writes from Tokyo.**

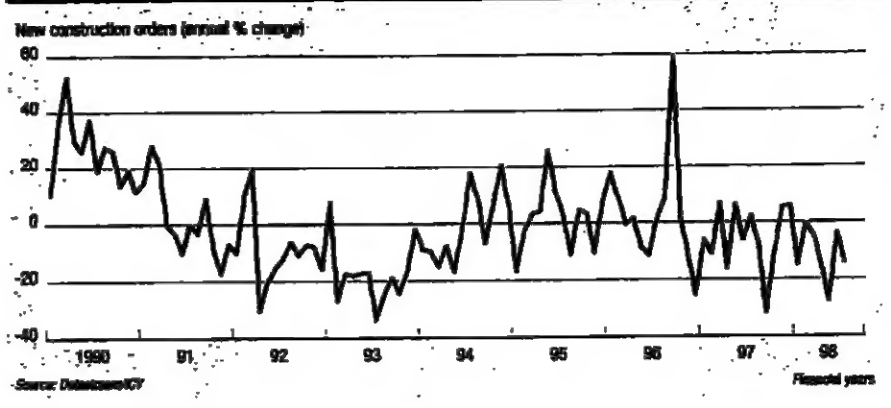
The government should reduce its spending on rural infrastructure, which has limited value in boosting the economy – and instead target large cities such as Tokyo, says Minoru Mori, president of Mori Buildings, one of Japan's largest construction companies.

"We have to have a more efficient type of public spending, and that means focusing more on the urban areas," says Mr Mori, who sits on the Economic Strategy Council, which advises the government on policy. "Electorally, the Japanese political structure has been bent to favour local cities more than big cities." The distortion has left Tokyo in a situation of "steady decline".

The comments reflect a growing campaign among some business leaders and senior bureaucrats to reshape the way Japan allocates its public spending.

This has traditionally been focused on rural areas, which are strong supporters of the ruling Liberal Democratic party. However, research by the Organisation for Economic Co-operation and Development (OECD) has shown that many rural projects have much less economic impact than urban projects.

Trans-Tokyo Bay highway bridge



Suharto to face official probe

By Greg Earl in Jakarta

Investigations into corruption in Indonesia are moving closer to the heart of the previous government, with both former President Suharto and World Bank projects set to face direct examination in the next few days.

Mr Andi Mohammad Ghalib, the attorney-general, said yesterday he would lead a team including police and financial officials to question Mr Suharto for the first time since he stood down from office in May.

At the same time Mr Suharto's son Bambang Trihatmodjo has been banned from leaving the country, along with more than 100 directors of banks which are under investigation.

The Suharto questioning was ordered by President Habibie on Tuesday after he faced a new wave of student protests demanding his resignation because he was failing seriously to investigate corruption in the old regime of which he was one of the longest serving ministers.

The justice minister, Professor Muladi, one of the government's more aggressive reformers, said there was no longer any excuse to delay investigating the Suharto family directly to discover the source of its wealth.

The police have been questioning a wide range of influential figures from the Suharto era in the past month, but Mr Ghalib drew widespread criticism when he appeared to accept without question last week a televised denial by Mr Suharto that he had assets outside the country.

Mr Bambang, the only Suharto family member appearing in public these days, has been strongly defending himself saying his money is in Indonesia and he has suffered a severe loss like everybody else.

While there is widespread community scepticism that the new government will seriously move against corruption when many of its key officials come from the Suharto government, the new World Bank investigation could open some new doors for investigators.

The bank has brought in two teams of both in-house and independent investigators to deal with growing allegations that it turned a blind eye to corrupt use of its funds in Indonesia, which was once its model developing country borrower.

The pressures on President Habibie to prove his reformist credentials have intensified with co-ordinated student and worker demonstrations in many parts of the country this week culminating in a foiled attempt to march on the Jakarta military headquarters yesterday.

At the same time the tensions in the broader community were underlined in an eastern Sumatra town, where rumors that an ethnic Chinese Indonesian had killed a *pribumi* (native) in a road accident resulting in wide-ranging destruction.

It was reported that 300 troops had been sent to the town after the traffic dispute resulted in hundreds of houses and shops being attacked and burnt.

Pakistan balks at test ban treaty under sanctions

Pakistan said yesterday that it would not sign the Comprehensive Test Ban Treaty while suffering economic sanctions for conducting nuclear weapons tests in May, Reuters reports from Islamabad and Madras.

Sartaj Aziz, the Pakistani foreign minister, told parliament in Islamabad that the economic sanctions were "unwarranted and unjustified" and demanded that they be lifted immediately.

He was speaking as Pakistan began formal negotiations with a team from the International Monetary Fund on resuming a suspended $1.56bn structural adjustment loan and a possible new balance-of-payments support package.

Antonio Furtado, IMF chief for the Middle East, arrived in Islamabad early yesterday to lead the IMF team in talks with the administration of Nawaz Sharif, the prime minister.

The joint sitting of the national assembly and Senate was called to discuss whether Pakistan should sign the CTBT, which bans nuclear tests, to get economic sanctions lifted. The government says the sanctions may force the country to declare a moratorium on its $30bn debt.

The US, which has led efforts to draw Pakistan and India into the nuclear arms control regime, was the first country to impose sanctions because of nuclear weapon tests carried out in response to earlier tests by neighbouring India, which also had sanctions imposed.

India yesterday sought an understanding over the transfer of nuclear technology from countries urging New Delhi to sign the test ban treaty.

Atal Behari Vajpayee, Indian prime minister, said in Madras: "I know the treaty is not going to be amended, but certain other arrangements could be made which will facilitate our work... particularly regarding transfer of high technology."

Under a 1992 Nuclear Suppliers Group accord, recognised nuclear states and others agreed only to sell reactor technology to countries that permit international inspections. That in effect ruled out countries developing nuclear arms, such as India.

ARREST THREAT EX-MINISTER JOINS MALAYSIAN OPPOSITION RALLY

Anwar tries to widen support base

By Sheila McNulty in Kajang

Anwar Ibrahim, who was sacked as deputy prime minister of Malaysia two weeks ago, attempted to widen his power base last night by joining a rally by the opposition Democratic Action party (DAP) to call for reform of Mahathir Mohamad's government.

The move came as the authorities stepped up pressure on Mr Anwar, who is accused of offences ranging from sexual misconduct to treason.

The authorities are reported to have detained five people in connection with the allegations, most of them in recent days.

Mr Anwar said they also threatened to arrest him if he persisted in staging public gatherings without a permit.

Mr Anwar has been speaking to thousands who gather nightly outside his home.

He denies all charges and insists he is being targeted for becoming Dr Mahathir's only serious political rival.

Anwar: nightly gatherings

This past weekend Mr Anwar took his call for reform to outlying states.

Last night Mr Anwar drove with his wife and daughters to the town of Kajang, where DAP members are staging a hunger strike to protest against the jail sentence imposed on their deputy secretary-general, Lim Guan Eng.

Mr Lim is serving two concurrent sentences of 18 months in jail for sedition and publishing false news.

He has been in the Kajang jail since August, when the Federal Court dismissed his appeal.

His supporters have started a signature campaign calling for a pardon.

"We want to promote justice," said hunger-striker Hew Kuan Yau. Hundreds of Malaysians of all three main races – Malay, Chinese and Indian – had gathered for the rally.

More than a year's imprisonment will disqualify Mr Lim from parliament, where he has sat for 12 years.

Mr Lim says the authorities challenged his right to criticise them for not detaining, still less prosecuting, a politician alleged to have committed the statutory rape of a 15-year-old schoolgirl. Instead, they detained the girl. The authorities cited insufficient evidence to prosecute the politician.

Mr Anwar and his wife, Wan Azizah Wan Ismail, signed the petition to pardon Mr Lim. They greeted the hunger strikers. And then Mr Lim's father – parliamentary opposition leader and DAP head – Lim Kit Siang welcomed them on a platform for a joint call for reform.

"We have common objectives," the elder Mr Lim said. "We will co-operate to promote justice, democracy, freedom and good governance."

Mr Anwar has drawn tens of thousands to hear his call for reform. But they are mostly of his Malay ethnic group and his co-operation with the mostly Chinese DAP broadens his support base, as he must do to mount a serious opposition to Dr Mahathir.

"It must be a multiracial effort," Mr Anwar said. "Otherwise, we will not win."

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UNCTAD TRADE AND DEVELOPMENT REPORT

Commodity price falls hit poor nations

By Guy de Jonquières

Steep falls in commodity prices are expected to cut some developing countries' export earnings by as much as a quarter this year and sharply reduce their economic output, according to the United Nations Conference on Trade and Development.

Unctad's annual Trade and Development report blames much of the weakness on the economic crisis in Asia, which had until recently been the fastest growing market for agricultural and other primary commodities exports from Latin America and Africa.

Unctad says the harshest economic impact of falling prices will be felt by oil-exporting developing countries. Angola, Gabon, Iran, Kuwait, Nigeria and Venezuela all face declines of at least a fifth in their export earnings, compared with last year. Their loss of economic output is set to range from 4 per cent to 18 per cent.

Countries which depend heavily on exports such as copper and wood will also be seriously affected. Export earnings of Burma, Chile, Mongolia, the Solomon Islands and Zambia are set to fall by at least a tenth, and their economic output to shrink by between 2.5 per cent and 12 per cent.

However, the report says some recovery in commodities demand may be in prospect, because troubled east Asian countries have recently met their raw materials needs out of existing stockpiles. These will need to be replenished through imports once they are exhausted.

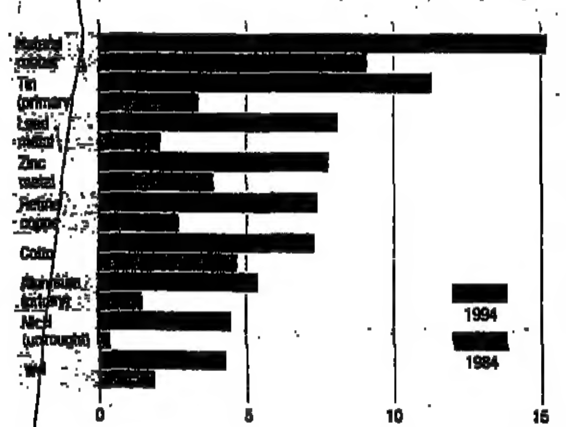
Although the crisis has led some east Asian countries to try to step up domestic output of certain commodities, Unctad says they are unlikely to succeed quickly in substituting for imports or in becoming big exporters themselves.

The report is cautious about the outlook for economic recovery by troubled east Asian countries, warning that it will be far slower than Mexico's recovery from its financial and economic crisis almost four years ago.

While Mexico's problems reflected excessive consumption and an over-valued currency, the crisis in east Asian economies was brought on by financial fragility, over-investment and a variety of structural weaknesses, which will take much longer to correct.

The report argues that developing countries should be left free to impose capital controls. It says that in the absence of global mechanisms for stabilising capital flows, controls provide an indispensable defence against speculative onslaughts on national currencies.

Asia-5's* share of total world commodity consumption
Per cent



Source: Unctad * Indonesia, South Korea, Malaysia, Philippines, Thailand

Barter grows as trade deals hit problems

By Nancy Dunne in Washington

Just as Russians are turning more to barter to survive, so are US companies with undelivered goods once intended for Asia and Russia, according to executives at Atwood Richards, which says it is the world's largest countertrade company.

Richard Warino, a senior executive, said his company was picking over proposals that had come through the office because US suppliers found their Russian and Asian customers could not pay for contracted goods.

US companies were searching to offload food, clothing and consumer electronics all headed for Russia, he said. "So many offers have come through that are attractive. But sometimes it just doesn't work because we can't get good enough value when we re-market it."

Over the past year, many companies have turned to barter to dispose of cancelled capital equipment orders from Asia. Atwood sometimes looks for production capacity in countries in recession and asks faltering factories to make products it will trade elsewhere.

Barter practices have changed over the past decade. When companies turn over unsold products to Atwood, they receive trade credit. The credits can be used to obtain other products and services Atwood has acquired – everything from hotel rooms and airline tickets to television advertising time, forklift trucks, carpeting, pulp, envelopes, steel castings or satellite tracking systems.

The company estimates that 300,000 companies will engage in some form of barter this year, including Fortune 500 companies such as General Electric, Pepsi, General Motors, Caterpillar and Boeing. It says North American companies are likely to barter an estimated $7.5bn worth of goods and services this year, an 8 per cent increase over last year. Clothing, food and sports-related products are among the most popularly traded items.

Atwood's executives are loath to discuss deals. They say they do not want to give anything away to competitors. But they talk in general terms about recent deals, like the shipload of shoes intended for a Russian customer. These are to be sold or traded in another market.

One Japanese company was unable to pay for $500,000 worth of frozen chicken parts, said Mr Warino. Atwood bought the poultry and plans to market it through other channels in Japan or in eastern Europe.

With offices in 30 countries, Atwood's reach is global. A typical deal was worked with IBM Mexico, which was ordered to rid itself of unsold computers to make way for a new line. Atwood bought the entire stock – 2,627 computers valued at $1.7m – and sold them to two clients, one in Mexico and the other in the US.

IBM used its trade credits for a variety of purchases, including 120 Volkswagen vehicles, and trucking and express mail services.

Sherwin Williams traded $3m worth of its paint to Atwood, which re-marketed in Russia, before its financial crisis worsened. Sherwin used its credits to obtain propellant and paint cans.

"We buy people's problems," said Bill Levitz, executive vice president. "They don't want to sell for half the value. We make money by finding buyers who will pay more."

EU COTTON IMPORTS SETBACK FOR ATTEMPT TO IMPOSE ANTI-DUMPING PENALTIES

Commission loses controversial vote on duties

By Neil Buckley in Strasbourg

European Commission attempts to impose five-year anti-dumping duties on unbleached cotton imports from five developing countries appeared in jeopardy yesterday after a majority of EU states came out against the measures.

The EU's Brussels-based executive is now thought likely to produce new proposals – probably including lower duties – in an attempt to avoid a highly embarrassing defeat in its second attempt to impose measures in less than two years. Similar proposals were rejected by EU foreign ministers last year despite a personal intervention by French President Jacques Chirac.

After a new dumping investigation, the Commission used its powers in March to impose temporary, six-month, duties on grey cotton from six countries – China, Egypt, India, Indonesia, Pakistan and Turkey – in March. This summer it proposed converting these into definitive, five-year measures – which requires a positive vote from EU ministers – for five of the countries, dropping action against Turkey.

But officials of the 15 EU states at an advisory committee, the commercial questions group, voted 8-6 against the latest Commission plans yesterday in Brussels, with one country, Belgium, abstaining.

The case, one of the most controversial and heavily lobbied dumping investigations handled by the Commission, has split both EU states and the European textile industry.

Eurocoton, the textile weavers' association which brought the original dumping complaint, and states including France and Italy, strongly back measures.

Textile finishers, who rely on unbleached cotton as a raw material, countries including the UK and Germany, and the five cotton exporting countries are fiercely resisting the measures.

Representatives of the five target countries told Sir Leon Brittan, EU trade commissioner, on Monday, that they were not prepared to accept compromise proposals involving undertakings from their exporters to sell cloth at above agreed minimum prices.

Price undertakings are seen as less severe than dumping duties, since the proceeds from the higher prices go back to the exporters, rather than being paid as EU duties.

But the exporting countries vigorously deny selling below cost, and say thousands of jobs, often in small, cottage industries, depend on the unbleached cotton trade.

India has complained to the World Trade Organisation over the case, accusing Brussels of misapplying the rules.

EU states' officials in July came out 7-6 against the Commission proposals, with both Luxembourg and Belgium abstaining. But Luxembourg joined the opponents yesterday, forming a simple majority against the measures for the first time.

The Commission must now try to win over EU ambassadors to its case later this month, with ministers due to take a final vote on the issue by October 9.

Former New Zealand PM joins WTO contest

By Frances Williams in Geneva

New Zealand yesterday nominated a former prime minister, Mike Moore, as third official candidate to succeed Renato Ruggiero of Italy as director-general of the World Trade Organisation.

Roy MacLaren, former Canadian trade minister, and Supachai Panitchpakdi, Thailand's deputy prime minister, have already thrown their hats into the ring, while Morocco is expected shortly to nominate Hassan Abouyoub, former Moroccan trade minister.

WTO officials yesterday said the closing date for nominations had been pushed back from October 1 to October 12 to give Brazil time after its presidential election on October 4 to decide whether to nominate Felipe Luiz Lampreia, the current foreign minister. No other nominations are expected.

Mr Ruggiero's four-year term of office comes to an end next April, though he has indicated a willingness to step aside earlier if his successor is ready to take over. The WTO's general council has set the end of November for selection of a new director-general, which must be by consensus.

Under the terms of Mr Ruggiero's appointment, which was only reluctantly accepted by the US, his successor must be from a non-European country. Europeans have held the top trade job since the WTO's predecessor, Gatt, was created in 1948.

With three-quarters of the WTO's membership now from the developing world there is also pressure for this to be reflected in the choice of leader. However, regional rivalries and the as yet unknown preferences of the US and European Union, the world's biggest traders, make it hard to discern one or more clear favourites.

Mr Lampreia may suffer from US disapproval of Brazil's trade policies, as well as the presence of another Brazilian, Rubens Ricupero, at the head of the United Nations Conference on Trade and Development (Unctad), the WTO's neighbour in Geneva.

Mr Abouyoub can be expected to pick up the votes of African countries, and Morocco's close ties with the EU suggest his candidacy will receive sympathetic consideration by Brussels. France will also be keen to ensure a francophone such as Mr Abouyoub in the job.

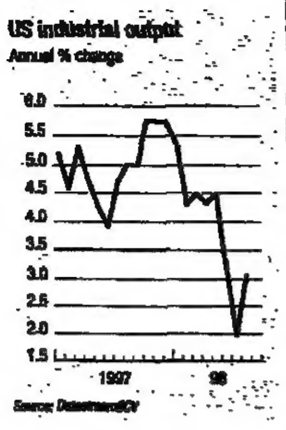
Mr Supachai, a former banker and current holder of the Thai trade portfolio, is assured of strong Asian backing, including that of Japan. Mr Moore's and Mr MacLaren's regional platforms are more difficult to identify but both will be hoping for broadly based support, including from the US.

US industry surges after GM strike

By Nancy Dunne in Washington

US industrial production surged by 1.7 per cent during August, as the distortion in the market brought on by the end of the General Motors strike created the biggest gain in more than 14 years.

Figures from the Federal Reserve Board showed higher production at American factories – compared with the previous month – than had been expected by analysts, who had predicted a 1 per cent rise.



The jump in output in August comes after drops of 0.4 per cent in July and 1.1 per cent in June as strikes at General Motors car plants led to the laying off of hundreds of thousands of employees.

However, apart from production of cars and vehicle parts, factory production was up a much more modest 0.1 per cent in August, less than the 0.2 per cent July gain, the Federal Reserve reported.

The Fed report said that production of new cars and trucks, which had dropped to a seasonally adjusted annual rate of just 8.2m units in July, jumped to an annual rate of 13.2m units in August as General Motors sought to replenish stocks depleted by the strike.

A 63.5 per cent gain in car and light truck production, a 2 per cent rise in business equipment output and a 3.8 per cent increase in durable goods suggested that the American economy retains some vibrancy.

Jerry Jasinowski, president of the National Association of Manufacturers, said the industrial production data presented "a mixed portrait" of the US economy. Leaving aside the effects of the GM strike, the index is not much higher than it was in May.

However, he said that the report "points to a healthy but not a particularly robust second half."

Non-durable industries – such as paper, leather, and textiles – showed "considerable slack, which may be due to continued surplus of inventories," he said.

However, output of computers, office equipment and household appliances was "quite robust", mostly because of lower interest rates that were encouraging more home-buying.

In a separate report, the Commerce Department said business inventories were unchanged in July for the third month in succession.

The last time this occurred was during the 1991 recession.

Ed Yardeni of Deutsche Bank Securities said the GM strike restrained inventory investment in July.

But as vehicle inventories rebound during the request of the quarter, they could give third quarter growth a boost.

Although stocks were overbuilt during the first six months of this year, the business inventories-to-sales ratio remains near record lows.

Another report contained disquieting signals for consumer spending. The American Bankers' Association said the delinquency rate on credit card payments had edged up about 0.2 percentage points during the last quarter.

This may be another factor weighing on the Fed in considering whether to cut interest rates.

Detroit tries to find a new way out of its ethnic strife

The 'white flight' after the city's 1967 riots left many stores in the hands of immigrants. **Nikki Tait** reports on the ensuing problems

A National Guardsman stands at the ready flanked by a burning store in the summer race riots in Detroit in 1967. Immigrants took over many retail outlets after whites fled into the suburbs AP

Bronco's Food Mart in one of Detroit's lower-income neighbourhoods advertises braids for sale, the kind African-American girls and women like to use to extend their hair. Not surprising in a city where three-quarters of the population is African-American.

But while Bronco's might cater to the needs of the local population, neither it nor many of the other local supermarkets and petrol stations is owned by an African-American. Bronco's is owned by Frank Manni, an Iraqi, one of the dozens of Middle Eastern immigrants who have come to control Detroit's smaller retail businesses.

This is a point of some tension. For years, residents' groups have claimed that these store owners treat their communities with disrespect, selling alcohol to minors, hassling customers, neglecting shops, and failing to source from black suppliers. Store owners, many of whom bought properties in the wave of "white suburban flight" after Detroit's 1967 riots, retort that they face regular threats and persistent pilfering, particularly from black teenagers.

In the way of American cities, racial tensions have a knack of bubbling over into violence. One estimate suggests that between 1980 and 1993 three dozen store owners or their employees were killed. In the past year alone, another two have died.

Even at Bronco's, where community/owner relations are said to be good, Mr Manni sells pizza and vodka from behind a protective screen, occasionally popping outside to hand ice-creams to neighbourhood children.

"It's a big problem in certain parts of the city," says Dan Reeves, deputy director of the Association of Food Dealers. "The stores have developed a fortress mentality – everything is done through bullet-proof glass."

But now academics from Detroit's Wayne State University think they have the makings of a solution. Experienced in teaching courses in international dispute resolution, they are trying to apply those same negotiating principles to their local streets.

Fred Pearson, director of the Center for Peace & Conflict Studies, says the idea first evolved three years ago when he came across the work of a Chicago-based community liaison official, who had attempted to smooth relations with some Korean-owned stores.

But a more urgent incentive was then presented by the Rodney King police brutality case in Los Angeles, which risked inflaming racial passions nationwide. Detroit had been a cinderbox in the past. "We felt we should try and do a preventative programme. We'd had enough problems with the '67 riots – we didn't need that again," he comments.

So, backed by funds from the Hudson-Webber charitable foundation, Wayne State contacted Toni McIlwain, an energetic African-American woman who was already making overtures to store owners in the Ravendale neighbourhood, in east Detroit. Using some of her experiences, the academics homed in on the 12th police precinct on the north-west side.

It took about a year and a good deal of input from stores, residents and community police, before they were able to hammer out a "framework" pledge between shop owners and neighbourhood leaders. But once negotiated, the 11-point agreement did look extremely practical.

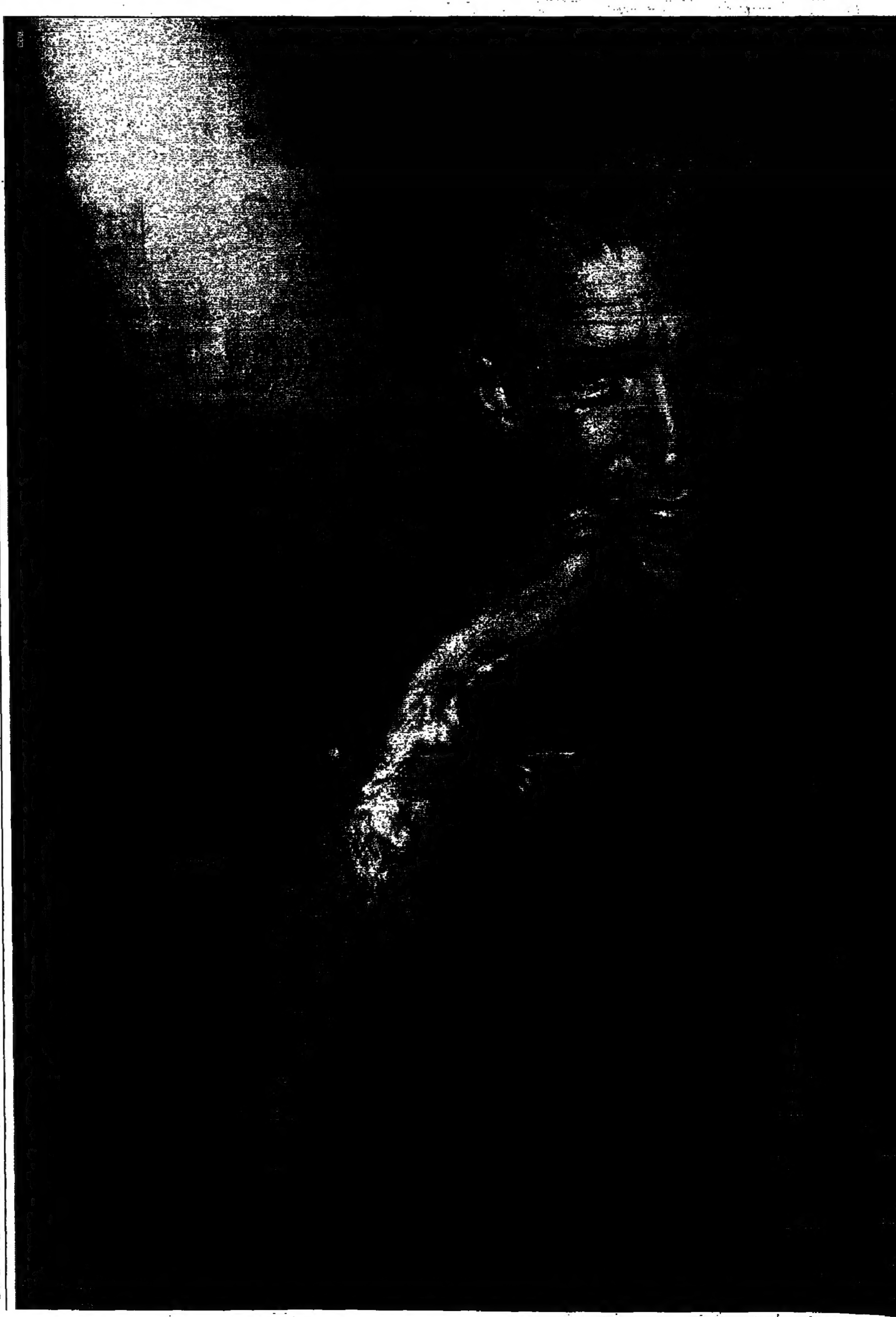
Merchants, for example, undertook to limit the number of pay phones near each store, to work with police to stop drug-dealing near their premises, and to publicly post their return policies – for bottles and merchandise. Residents, meanwhile, promised to find potential local employees and to stop using dumpsters on store property.

Now the plan is to extend the reach to more precincts, effectively covering much of the city's northern belt. As part of the programme, the Wayne State organisers plan to set up "swat team" of residents – armed with pagers and mobile phones – who could be called upon to intercede if tensions erupt.

Ms McIlwain remembers being called in after an incident at Bronco's. A young black man claimed that the store owner was threatening him. The customer's mother had intervened and was in the process of calling to a local lawyer. She talked both sides out of making the quarrel worse.

But does the approach work more generally? Pearson is anxious not to make false claims. Nevertheless, he says crime statistics in the 12th precinct – for whatever reason – did improve significantly in the wake of the programme's launch.

But even Mr Reeves admits that the initiative will probably be, at best, a partial panacea. "It's very worthwhile – and very frustrating. You've got people on both sides who just don't care," he says.



Colombia bets on lotteries to fill gap in local finances

Some unconventional measures are being used to raise cash. **Adam Thomson** reports

It was clear something was wrong when municipal governments in southern Colombia began organising impromptu lotteries to cover their payroll obligations.

One of them last month turned to encouraging people to try their luck in a competition for cash prizes in a desperate attempt to keep the local administration afloat.

Throughout Colombia, regional governments are having to adopt radical – and sometimes unconventional – measures to avoid declaring bankruptcy.

Eighteen regional departments – more than half the total – have fallen behind with their debt servicing payments. Some have declared bankruptcy.

In the north-western department of Chocó public employees have not received salaries in eight months. Rural schools have closed, affecting 60,000 children.

Putumayo department in the south is about to halve its staff as local administration finances sink deeper into the red.

"We are facing total crisis," said Janet Fajardo of the department's financial division. "Our deficit this year alone is 6.4bn pesos ($4.3m) and we don't have enough money to pay pensions or salaries."

"The situation has never been as critical as now," admits Andrés González, governor of Cundinamarca department and president of the National Federation of Departments. Combined local government debt – departmental and municipal – is now about 5,000bn pesos ($3.3bn), about 4 per cent of gross domestic product.

In the department of Valle, which contributes more than 15 per cent of GDP and whose capital is Cali, Colombia's second largest city, total debt is 475bn pesos. The city's main university is on the brink of closing for lack of funds.

Departmental debts have grown in recent years as revenue from local taxes and national government transfers has failed to meet local spending requirements.

But this year, a sharp rise in interest rates has compounded the local administrations' difficulties in keeping up with their debt servicing obligations. Between February and the final round of the presidential elections in June the DTF – the 90-day benchmark rate which banks pay on deposits – increased by 13 percentage points.

Most of the locally generated income which local governments receive comes from cigarette and alcohol sales. Yet in recent years, revenue has suffered at the hands of a growing contraband industry.

Growing debts have been partly addressed by a tax reform package which was presented to Congress recently. The package, which aims to cut the overall fiscal deficit – officially estimated at 3.5 per cent of GDP for this year compared with just 0.3 per cent four years ago – to 2 per cent of GDP by next year, contemplates boosting local government's revenue via extension of value-added tax.

The reform would also allow local administrations to place a surcharge of up to 20 per cent on petrol sales. And there are provisions for cracking down on the sale of contraband goods. But Mr Gonzalez says that the combined effect of the proposals if approved by Congress would go only part of the way to alleviating the problem.

Meanwhile, for the worst affected departments such as Chocó, the local administration is crumbling.

And while Congress wades through the long tax reform process, lotteries can be expected to flourish.

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THE AMERICAS

New York faces bruising poll battle

By Richard Wolffe in Washington

New York faces a bruising election battle for its US Senate seat after Democrats voted to nominate a well-funded congressman to challenge Alfonse D'Amato, the current senator.

Charles Schumer, the congressman representing Brooklyn, is expected to run an aggressive campaign to unseat Mr D'Amato for the high-profile Senate race, after winning a three-way Democratic primary late on Tuesday.

With a large war chest of $[illegible]m, Mr Schumer is one of the Democrats' best hopes of winning a Republican-held Senate seat. Mr D'Amato, the chairman of the Senate banking committee, won re-election in 1992 by a margin of just one percentage point but has raised $20m in campaign funds.

Mr Schumer launched his *campaign against Mr* D'Amato by accusing his rival of being untrustworthy and having been in Washington too long. Mr D'Amato's staff dismissed their new opponent as the "most left-of-centre candidate" among the three Democrats vying for nomination.

Mr Schumer beat a strong challenge by Geraldine Ferraro, the former candidate for vice-president and CNN television presenter. Ms Ferraro *said* her defeat – 26 per cent to Mr Schumer's 51 per cent – spelt the end of her political career, which peaked with her becoming the first woman to be nominated for the vice-presidency in 1984. A third candidate, Mark Green, won 19 per cent of the vote.

The New York Senate race was one *of a series of* primaries in nine states and the district of Columbia, in the run-up to the mid-term general elections in November.

Political analysts were scouring the results for evidence of how the Monica Lewinsky scandal was affecting national politics but no clear trend emerged from yesterday's results.

In Washington state, a bitter Republican race ended in victory for Linda Smith, a *conservative congress*woman who has championed campaign finance reform.

Ms Smith is keen to make President Bill Clinton's affair a central theme of her campaign against Patty Murray, the current Democratic senator.

Elsewhere, the biggest upset came in Massachusetts where a little-known mayor won the Democratic nomination for the House of Representatives seat once held by President John Kennedy and Tip O'Neill, the former House speaker.

Michael Capuano, the mayor of Somerville, beat Ray Flynn, the high-profile former mayor of Boston, and eight other candidates to fight for the Cambridge seat which is being vacated by Joseph Kennedy. Mr Capuano, who ran a grassroots campaign and was heavily outspent by his Democratic opponents, is the strong favourite *to beat the Repub*lican candidate Philip Hyde.

Anthony Williams won race for Democratic candidacy for mayor of the capital city AP

The Democratic race for Minnesota governor, run between three sons of famous politicians, was won by Hubert Humphrey, the son of the former vice-president. He beat Ted Mondale, *the son of another former* vice-president, Walter Mondale, and Mike Freeman, the son of former governor Orville Freeman.

In the District of Columbia, the heated race for the Democratic candidacy for mayor of the capital city was won by Anthony Williams.

Mr Williams, the former financial controller of the city, is almost certain to replace the outgoing mayor Marion Barry, who is stepping down after four tempestuous terms which included his conviction on drugs charges.

In the most bizarre election race, voters in Oklahoma finally rejected a dead *candidate who had already* garnered enough votes to advance from a four-way Democratic primary to a run-off.

The late Jacquelyn Ledgerwood, who suffered a heart attack after filing her name as a candidate, lost to Don Carroll, an air conditioning repairman, for a state Senate seat.

Starr report debate likely next month

By Richard Wolffe in Washington

Republican leaders said they expected the House of Representatives to begin its investigations into the Starr report at the start of next month, in the first step towards assessing whether there are grounds to impeach President Bill Clinton.

Hearings into the Starr report, including the cross-examination of witnesses, are likely to begin soon after the publication of further evidence filed by Kenneth Starr, the independent counsel, in the next two weeks.

The House judiciary committee today is expected to release potentially embarrassing video tapes of President Clinton's evidence before a grand jury last month.

Mr Clinton is accused of committing perjury before the grand jury in an attempt *to cover-up an 18-month sex*ual affair with Monica Lewinsky, the former White House intern. The president insists that the affair was "inappropriate" but did not technically constitute sexual relations.

The White House fears the video tapes may be misused in political advertisements and satirical television shows by being broadcast "out of context".

The tapes are reported to show an uncomfortable president engaged in legalistic quibbling over the details of the affair, in stark contrast to his contrite admissions of guilt since the Starr report was delivered to Congress last week.

Democratic congressmen yesterday condemned Republican plans to release the video tapes, as the debate over how to handle the Starr report continued to descend into a bitter partisan battle. Congressmen from both parties have repeatedly pledged to *approach the report in a* united, bipartisan manner.

Speaking after a meeting of the Democratic caucus yesterday, Charles Rangel, a Democratic representative of New York, said: "I don't think that there is anything at all that would block the Republicans' aim and goal to embarrass this administration and the president, which would include ignoring constitutional protections and common decency.

"I think they want us to know that while they are talking about bipartisanship, do not expect it to become a reality."

But James Rogan, a Republican member of the judiciary committee, insisted the public needed to see the president's evidence in the full. "That is why the testimony was videotaped – so that people would not only be able to read a transcript, but also to be able to gauge the president's demeanour," he said.

Democrats fear the video tapes will prove damaging not just to the president, but *to the wider party in the* mid-term congressional elections in November.

Congressmen again urged Mr Clinton to drop his legal defence against perjury claims and stop quibbling over the sexual nature of his affair with Ms Lewinsky. They fear the scandal is leading to a "haemorrhaging" of party support for the president within Congress and across the country.

James Moran, a Democratic representative of Virginia, said: "I think the president would help himself a great deal if he would get off this business of saying one thing in public and having his lawyers do another thing in cou[illegible] *He has got to stop* this de[illegible]ate deception in term[illegible] of whether or not he had sexual relations."

Public opinion appears firmly opposed to the release of the video-taped evidence. A CBS poll published yesterday revealed that 70 per cent of those surveyed said the tapes should not be released, *compared to 28 per cent who* agreed with making them public.

Shareholders to confront YBM board

By Edward Alden in Toronto

Shareholders of YBM Magnex International, the controversial magnet maker, will get their first chance to call the company's management to account since its shares were suspended on the Toronto Stock Exchange four months ago.

Pressure from YBM's institutional shareholders has been growing over the last month since scheduled hearings before the Ontario Securities Commission were postponed indefinitely when the company's auditors, Deloitte & Touche, resigned.

YBM responded late last week by calling a shareholders' meeting for November 17 to elect a new board of directors and to discuss the issues facing the beleaguered company.

Top among those issues is *whether YBM's shares will* ever trade again on the Toronto market. Trading was suspended on May 13 when the company failed to file audited second quarter financial results, the same day that FBI officials raided YBM's Pennsylvania headquarters as part of a criminal investigation.

One of YBM's original shareholders, Semion Mogilevitch, was barred from the UK in 1995 following an investigation into alleged money laundering activities involving Russian organised crime.

The Ontario Securities Commission has said it would maintain the cease *trade order until* audited financial statements have been filed. But YBM has yet to find another auditor willing to do the job.

The company sells industrial magnets, mostly in eastern Europe and Russia, and had a market value of more than C$900m (US$600m) earlier this year when shares were trading at over C$20. But mutual fund managers have since written YBM's value down to C$1 to C$3 a share.

The case has raised tough questions about Canadian securities regulation because Ontario regulators were warned last fall about concern over the company's financial statements but allowed YBM to proceed with a new share issue.

The company has been busy reorganising over the past month. Harry Antes, chairman, stepped down last week and was replaced by Jacob Bogatin, who is also president and chief executive officer.

It has also named a new chief operating officer with responsibility for the eastern European divisions and a new managing director for its UK subsidiary, Crumax

On the web today

- *British and Cuban groups in insurance joint venture*
- Mexico bank bailout details begin to emerge
- Panama seeks bids to run state water company

http://www.ft.com/americas

'GREEN BUDGET' GOVERNMENT PLANS MORE AGGRESSIVE APPROACH AS CORE OF NOVEMBER POLICY STATEMENT

Chancellor to urge more competition

By Robert Peston, Political Editor

The government plans a more aggressive approach to the promotion of competition, including the more systematic use of competition authorities to probe poorly performing industries. Gordon Brown, chancellor of the exchequer, has instructed officials to come up with "supply side measures to boost the competitiveness" of British companies. He wants these to form the core of his pre-budget report – or "green budget" – in late November, which will establish the policy framework for the national Budget next year.

According to a minister, Mr Brown is persuaded that inadequate competition is the biggest single cause of the relatively poor productivity of swathes of the UK economy. "We are looking at a range of measures," said another government member. "The most likely outcome is that we take a more active role in asking the Office of Fair Trading to scrutinise practices in particular industries."

He added that some consideration was being given to the government taking direct action to break up "excessively" big companies, but there was a "low probability" of this happening. Next year, the OFT will have several new powers to fine and launch investigations, following enactment of the competition bill currently before parliament. "The big question of the moment is how we ask the OFT to use these powers," the government member said.

Sectors where the toughest action may be taken include banking, food manufacturing and telecommunications, which have been identified by McKinsey, the leading management consultants, as significantly less competitive than their peers in the US.

It estimates that labour productivity in the UK telecoms sector is 55 per cent of the US level and that food processors are 25 per cent less productive than US rivals. The consultants, who have been holding productivity seminars in partnership with the Treasury and Department of Trade and Industry, identify an excessive UK regulatory burden and insufficient competition as two of the main causes of this gap.

Alleged deficiencies in competition in the banking sector are seen as having damaging ramifications for other sectors.

Poor productivity in the British software industry, for example, is partly caused by the relative sleepiness of UK banks compared with their US rivals, said a government member.

The boldness of Mr Brown's thinking and the inevitable ructions with companies is likely to unsettle Tony Blair, the prime minister, and Peter Mandelson, the new trade and industry secretary, who have been basking in Labour's success at wooing big business.

Slowdown in pay rises may fail to persuade central bank to cut rates

A higher than expected slowdown in the rate of annual pay increases may not be enough to prompt the Bank of England to cut interest rates, **Chris Tighe and Richard Adams write.**

The latest labour market figures, issued by the Office for National Statistics yesterday, showed underlying average earnings growth at 4.7 per cent between May and July, down from 5 per cent in April to June. But the drop was balanced by a further fall in unemployment, reinforcing fears the labour market remains tight.

The percentage of the workforce out of work and claiming benefits fell to 4.6 per cent in August, the lowest rate since May 1980. The minutes of the August meeting of the Bank of England's monetary policy committee, which sets interest rates, published yesterday, noted "further increases in the demand for labour had become more of a concern in recent months."

Excluding bonus payments, the ONS said earnings rose 4.4 per cent, compared with 4.5 per cent the previous month. Only manufacturing registered a fall in the number of workers. Some of those losses have come from the impact of economic turmoil in east Asia. Speaking outside Fujitsu's doomed semiconductor plant in north-east England, Tony Blair, the prime minister, said it was important not to exaggerate the problems in the economy.

TRADES UNION CONGRESS EURO AREA 'STABILITY IN A WORLD IN ECONOMIC TURMOIL'

Union chief hails Emu 'bulwark'

By Robert Taylor, Employment Editor

The UK economy will suffer from its refusal to join European monetary union on 1 January 1999, John Monks, general secretary of the Trades Union Congress, warned yesterday.

"Staying out in the cold for the time being – widely hailed as a prudent move – will look less and less attractive as we see the effects of the UK being excluded from the European Central Bank and the euro group of finance ministers," he said at the annual conference of the TUC in the north-west England resort of Blackpool. "Entering emu would not be a reason for keeping interest rates up. It would be a reason why they would come down".

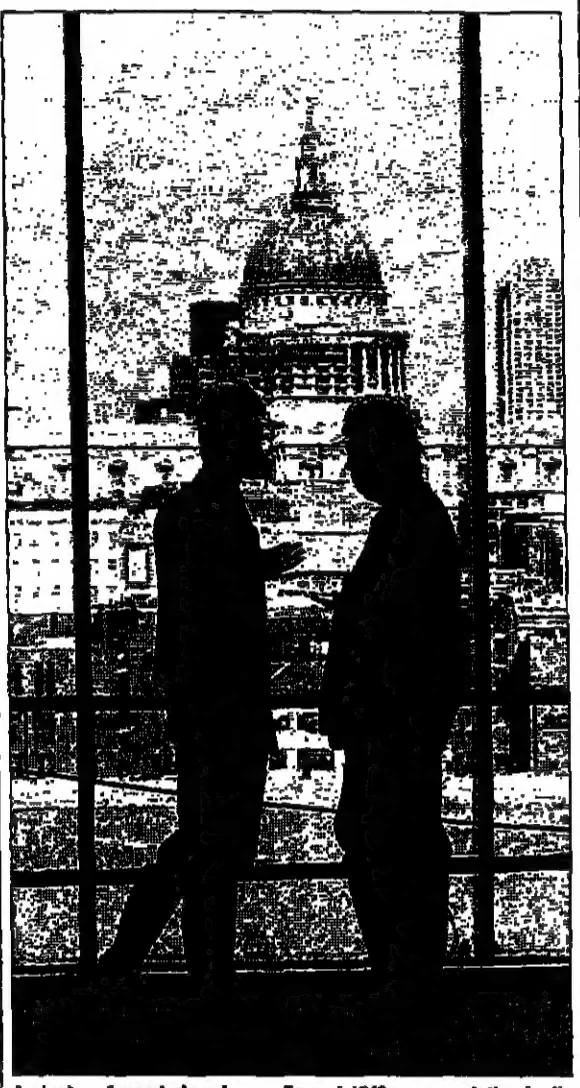
Mr Monks said the euro area was already a "bulwark of stability in a world in economic turmoil".

His speech underlined the fact that the TUC is now the one of the most pro-European Union national institutions in the UK. He reminded the unions this happened as a result of the "seismic" speech EU president Jacques Delors made to the TUC ten years ago. That intervention, said Mr Monks, hardened the hostility to EU integration already shown by Baroness Thatcher, who was then Conservative prime minister. Without Emu, the lira, peseta and other traditionally weaker currencies would have been in trouble, Mr Monks told TUC delegates. "As it is, the Danes and the Swedes – co-abstainers like ourselves – are the European currencies under pressure."

He had hoped the UK government would "lead rather than follow" in Emu, he continued. "Following means that newspaper barons will have a field day. Every exclusion from a key meeting of the Euroland countries will become a slight on national pride, a humiliation for Britain which will be used to fuel more hostility."

Mr Monks claimed it was the European social model that provided the "third way" that the government was looking for. "It is the way between failed state regulation in eastern Europe and the cruel excesses of unregulated US capitalism," he said. "Social solidarity and free trade unions are pillars of the European model," he added.

Mr Monks pointed out that large areas of Europe enjoyed higher living standards than the British, higher productivity, welfare benefits the British could only envy and higher capital investment on transport and infrastructure. "We are falling behind the forward march of Europe."



A giant roof panel placed on a disused 1940s power station by the river Thames in London marked the final stage of converting the building into the Tate Gallery of Modern Art. Nicholas Serota (left), director of the existing Tate Gallery in London and Lars Nittve, director of the new gallery, are pictured in the converted building which faces St Paul's Cathedral in the City on the far side of the river. The new gallery will open in 18 months. Michael Walters

Private funding initiative is rebuffed

By Robert Taylor

The government suffered a setback at the Trades Union Congress yesterday when delegates rejected its private finance initiative for attracting private funding to public projects.

They voted to campaign against the PFI and demand that the government reinstate "proper capital funding to ensure the future infrastructure of the public services in a way which does not damage jobs and services".

The outcome was a setback for John Monks, the TUC general secretary, who opposed the proposal.

"PFI is here to stay no matter what motions are carried in this hall," he said. "Scrapping PFI will leave an £11bn ($18bn) hole in the public finances. The motion seems to believe the mere adoption of the motion and a subsequent campaign will somehow force the government to change their mind." A statement on public spending and pay condemning the use of PFI as a "substitute for public investment" was carried by a big majority.

● Marks and Spencer, the retailer, was dubbed "Marks and Sharks" for recently advising its textile suppliers to move production overseas to cut costs, **Andrew Bolger** writes. The conference delegates urged the company to rethink its strategy, which union officials claimed could cost up to 60,000 UK textile jobs.

Marks and Spencer retorted: "If we sat back and allowed M & S to become less competitive, then the impact on the British clothing and textile industry really would be disastrous."

● The government was warned that it would face resistance from the trade union movement "by all means possible" if it tried to sell a minority stake in the Post Office.

Derek Hodgson, general secretary of the CWU postal union, said he hoped Peter Mandelson, chief industry minister, would deny reports of an imminent privatisation decision when he addresses the TUC today.

Accountancy body to limit liabilities ruse

By Jim Kelly, Accountancy Correspondent

Directors of companies are to lose one of the most popular tools of creative accounting, which has allowed them to smooth profits and disguise poor performance, under radical rules published today by the Accounting Standards Board.

The rules governing so-called "big bath" provisions – in which companies bundle together vaguely disclosed liabilities often amounting to billions of pounds – are to be tightened early next year.

The ASB, which has already limited the discretion given to directors on provisions linked to acquisitions, believes the new draft standard will finally end the abuse. "That's all the doors shut," said Sir David Tweedie, the board's chairman.

The ASB has waged a long campaign against companies which manipulate their results by setting aside money in the accounts to cover future costs and then boost profits later when all or some of the money is not needed.

The board is concerned that share prices often rise after provisions are made, on the assumption that the money will be used to add to shareholder value, only for the action to give a false impression of future profits.

The new standard will also be seen as a significant step forward in the board's controversial plans to define liabilities and assets in balance sheets much more strictly than in the past.

The new rules mean that a provision can be made only when a clear obligation exists and can be measured. This means that a simple decision by the board – to restructure the company for example – is not enough to justify setting aside money.

"The users of accounts cannot be expected to be mind readers," said Sir David.

Michael Hughes, head of audit at KPMG, said: "Boards may well feel uncomfortable at being prevented from providing for a reorganisation until they have told others – even if they know the money will be spent."

The new rules will also severely limit companies from providing for future operating costs. But the rules also mean some provisions often avoided by companies will now have to be made early and in full.

Lex, Page 22

Move to protect partners' assets

The government's Department of Trade and Industry is today expected to publish draft legislation which will allow accountants to form limited liability partnerships, **Jim Kelly writes.** The move will help protect partners' personal assets when negligence results in litigation against a firm. The DTI is also expected to confirm that the accountancy profession's new blueprint for self-regulation is acceptable. But a wide-ranging reform of the current liability regime affecting auditors is expected to form part of a longer-term and wider review of company law.

Brussels is pressed for peace cash

By John Murray Brown in Dublin

David Trimble, Northern Ireland's first minister, indicated yesterday that he would use the April peace agreement to press for continued budget transfers from European Union funds even though the region no longer qualifies for them.

Announcing plans to make his first official visit to the European parliament in November, Mr Trimble said it was "imperative that Objective One funding for Northern Ireland is maintained". Northern Ireland receives about Ecu200m ($218m) a year in structural funds under the Objective One programme for regions where the gross domestic product is less than 75 per cent of the EU average.

European Commission officials in Northern Ireland say the region's GDP is now 78 per cent of the EU average which makes the province ineligible for further funding under the 1999-2004 programme.

The EU aid is dwarfed by the £3bn net subvention Northern Ireland receives every year from the UK government. But Michael Smyth, an economist at the University of Ulster, points out that the EU money represents a tenth of all infrastructure spending, once current budget items such as unemployment benefit, pensions, education and health costs are stripped out.

The current tranche is being used to improve the Belfast-Dublin rail link, a gas interconnector with the UK mainland and the conversion of Northern Ireland's largest power station.

Mr Trimble and Seamus Mallon, the nationalist deputy first minister, are to accompany Paul Murphy, the Northern Ireland political development minister in the UK government. The visit would "cement the good will that so many of Europe's institutions have for Northern Ireland," he said. Mr Murphy remains responsible for negotiations with Brussels until the Northern Ireland executive assumes full powers in February next year.

Some of the EU cash allocated under the Peace and Reconciliation Programme – a separate Ecu300m programme agreed after the paramilitary ceasefires – is likely to go towards reintegration of paramilitary prisoners, a further seven of whom were released from the Maze prison in Northern Ireland yesterday in line with the peace agreement.

The group included Simon Corry, a member of the Ulster Volunteer Force who had served more than five years for illegal possession of weapons. His release means that all the paramilitary groups that accepted the peace agreement have had members freed. The groups are the Irish Republican Army and the anti-nationalist Ulster Defence Association and UVF.

NEWS DIGEST

ENRON APPOINTMENT

Gas industry regulator to work for US energy group

Clare Spottiswoode is to become a senior executive at Enron, the US energy group, when she stands down as UK gas industry regulator in November. Ms Spottiswoode, regarded by the industry as an uncompromising and controversial regulator, has been appointed to help develop Enron's global water investment business.

Ms Spottiswoode, speaking after taking part in the World Energy Conference in Houston, where Enron has its headquarters, insisted her new appointment would not cause a conflict of interest as she would not be involved in energy matters. She said: "I have no confidential information on water at all." Ms Spottiswoode will have special responsibility for advising on regulatory issues affecting European water developments.

John Battle, energy minister, earlier this year announced plans to merge the jobs of UK gas and electricity regulators. The new post is expected to be filled by Callum McCarthy, former chief executive of Barclays Bank's north American operations.

Rebecca Mark, Enron vice-chairman, last night said the US group had "long admired" the work done by Ms Spottiswoode. **Andrew Taylor, Robert Corzine, London**

AIR TRAFFIC CONTROL PLAN

MPs to probe rising costs

The soaring costs of the planned air traffic control centre at Swanwick in southern England are to be investigated by MPs following the disclosure that the budget has risen from £350m ($577.5m) to £475m. The Civil Aviation Authority said yesterday that the centre would be completed within its budgeted capital cost of £350m and that the additional £125m came from its revenue account, for matters such as the transfer to Swanwick of air traffic controllers from their base near Heathrow, London's main airport.

However, MPs on the transport committee of the House of Commons are concerned that they have consistently been given confusing information. The CAA yesterday insisted that the committee had been told about costs last year. The centre, which is intended to be the most advanced in the world, was to have opened in 1996 but will not now begin operating before 2000 because of computer software problems.

The CAA said it had also paid Lockheed Martin, the US company responsible for the Swanwick computer system, £216.9m, although its fixed price contract had specified £163m. Lockheed Martin had spent its own funds eliminating faults and had not been paid extra to do so. The company is believed to have spent more than £100m on this work. **Michael Skapinker, Robert Peston, London**

BARINGS BANK COLLAPSE

Repayment scheme fails again

A scheme to provide partial repayment for bondholders caught in the 1995 collapse of Barings has failed again to win the necessary approval. For the third time in 10 weeks, a meeting of holders of one class of securities was adjourned yesterday, raising new doubts about whether the compromise settlement will be cleared before it expires at the end of the year.

Opposition is led by vulture funds which have bought up, at a deep discount, a majority of floating rate notes issued in 1986, hoping to get more than the 60p in the pound ($1 in $1.65) envisaged under the settlement. The FRN holders have a higher legal priority in the investment bank's liquidation than perpetual note holders (who stand to get 23.6p in the pound), but their representatives originally agreed to relinquish some rights. The settlement would produce payments of £84m before expenses on bonds with a face value of £190m. **Clay Harris, London**

ROYAL OPERA HOUSE

US arts executive chosen

The Royal Opera House Covent Garden confirmed yesterday that it has appointed Michael M. Kaiser as its executive director. He takes up the post on November 12. Mr Kaiser, who is in his late 40s, has spent most of his working life in arts administration in the US. For the past three years, he has run American Ballet Theatre and before that worked with the Alvin Ailey Dance Foundation and the Pierpoint Morgan Library. He has also been an arts consultant.

He was the personal choice of Covent Garden's chairman, Sir Colin Southgate, who was impressed by Mr Kaiser's ability in the past to eliminate deficits, boost revenue, and expand educational projects – all talents much needed at Covent Garden, which has been without a chief executive since Mary Allen quit in June.

The appointment of an executive director is a sign of defeat for Sir Colin. He hoped to appoint a general manager of international reputation who could take on the roles of both executive and artistic director but the financial problems hanging over Covent Garden put off possible candidates.

Sir Colin shortly hopes to appoint Sarah Billinghurst, deputy director of the Metropolitan Opera in New York, as artistic director, but discussions are still continuing.

Both posts carry salaries in the region of £100,000 ($165,000) a year. **Antony Thorncroft, London**

Former carmaker wins battle of the armoured vehicle market

One of British engineering's oldest names is set to become the nation's champion in pan-European consolidation of the industry, **Christopher Swann** and **Andrew Edgecliffe-Johnson** report

Alvis, one of the grand old names of British engineering, has survived against the odds. As a result of Tuesday's deal to buy GKN's tank division, it will emerge as Britain's foremost armoured vehicle maker, stealing a march on Vickers, which once dominated the industry.

With combined sales of £233m ($385m) in 1997, the group will have a comprehensive range of light fighting vehicles, and a strong order book.

It will also be in a powerful position to become the UK champion in the looming pan-European consolidation of the industry. While the US makes do with two tank companies, Europe has 23.

Alvis, founded in 1919, started life as a carmaker famed for a marque known as the poor man's Bentley. During the second world war, Alvis turned its production to armoured vehicles. With its cars facing strong competition from large US rivals in the 1940s and 1950s, Alvis increasingly tilted towards military contracting.

In the 1960s, Alvis ceased making cars and aero engines, and its name was submerged. Rover bought the company in 1967, and Alvis was eventually sold to the diminutive United Scientific Holdings, a manufacturer of military sighting equipment, in 1981.

Competitive tendering at the UK Ministry of Defence eroded margins in the late 1980s, taking the gloss off the group's generous stockmarket rating. Deep defence cuts, driven by recession and the end of the cold war, had brought the group to its knees by 1989. In spite of securing more than 80 per cent acceptances for its hostile bid that year, engineering rival Meggitt was scared off by a dire profits warning.

The appointment of Nick Prest, who orchestrated Scientific Holdings' scorched-earth defence to the Meggitt bid, marked a turning point. After rechristening the company Alvis in 1992, Mr Prest sought to focus the group on armoured vehicles and to lower gearing, which stood at more than 100 per cent.

Last year's acquisition of Hägglunds, the Swedish armoured vehicle group, was heralded by analysts as a coup. The £75m deal doubled the size of Alvis, and Hägglunds brought with it a £400m order book.

Alvis, GKN and Vickers agreed on one thing: that consolidation would have to begin at home. By the end of last year, GKN seemed close to selling out to Vickers, but disagreement on price is reported to have scuppered the deal.

All three companies then decided that no consolidation could take place until they knew the outcome of the UK's strategic defence review and of a big European contract award.

The defence review made clear that the armed forces of the future would need fewer battle tanks and more smaller vehicles. The award this summer of one such "battlefield taxi" contract – the £2.6bn multi-role armoured vehicle procurement from Britain, France and Germany – went to a consortium that included GKN, rather than to the joint Alvis/Vickers bid.

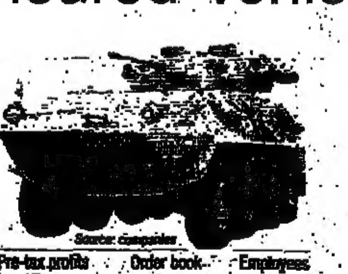
That announcement prompted a congratulatory letter from Mr Prest to C.K. Chow, chief executive of GKN, and paved the way for the month-long negotiations between GKN and Alvis which led to yesterday's announcement.

Combining the two groups solves problems for each. Alvis, frozen out of the multi-role armoured vehicle contract, was facing a fall-off in business from 2002. GKN, while assured of work from 2004 when MRAV production begins, had the near-term headache of a sharp drop in activity.

After the delivery of 254 Warriors to Kuwait, GKN's sales had halved to £160m in 1997. They will drop again in 1998, and the division is expected to lose money in 1999.

Analysts see the merger as just the start of the consolidation, however. The ghost at yesterday's feast was Vickers, which is not expected to sit happily on the sidelines as its rivals join forces.

Alvis: expansion is the best defence



The new Alvis | Source: companies

	Turnover (£m)	Pre-tax profits (£m)	Order book (£m)	Employees
GKN Defence	160.3	21.2	74	500
Alvis	72.9	8.1	500	519
Total	233.2	29.3	574	1019

GROWING BUSINESS GERMAN MACHINE TOOLS

Married to their separate ways

Index and Traub are a combined company with distinct operations. The aim, says **Peter Marsh**, is part of a 'twin brand' strategy to enhance their strengths

If not quite a shotgun marriage, it was hardly a union made in heaven. Last year Index, a private German machine tool company, took over Traub, a smaller rival only a few kilometres away on the outskirts of Stuttgart.

For 60 years the two companies had been competitors, selling similar machines to customers in related industries. But during the 1990s debts of DM300m (£100m) eventually forced Traub into receivership.

With the German machine tool industry only slowly emerging from a slump in demand in the early 1990s, the well-wishers at the wedding were outnumbered by those muttering that it would end in tears.

Klaus Frick, chief executive of Index and the main force behind the takeover, seems to have won over the doubters, helped by a pick-up in the world's $40bn-a-year machine tool industry, and by a decision not to merge the two parts of the new company into a single supplier.

His efforts have centred on a "twin brand" strategy that recognises the differences between the Index and Traub models – which in many respects are similar types of machine tools. By combining functions such as purchasing and administration, Mr Frick has reduced operating costs.

His strategy illuminates the approach that may be needed when merging other types of industrial goods companies which produce specialised equipment aimed at market "niches", but which are often too small to support a management structure required to sell worldwide.

Traub, once one of Germany's biggest machine tool suppliers, saw its revenues dwindle to DM140m a year, but its overheads in terms of management and factory space were more appropriate to a company twice the size.

With the company in receivership, Mr Frick paid only a small sum – which has not been revealed – for his rival's assets. This year the combined companies will have sales of about DM650m, and 2,150 employees, 500 of them from Traub. Index's earnings are kept secret, but Mr Frick indicates that the takeover has not damaged the combined company's profitability.

Two into one: development at the two groups is kept at arm's length, but engineers from Index and Traub are encouraged to swap ideas

Pictures: Stefan Boness

Most of the 10 or so top managers at Traub left the company after the takeover and their functions were taken over predominantly by Index people. "Where possible we used the existing structure of Index to absorb people at Traub but without much of the indirect costs," says Mr Frick.

The proximity of the Index and Traub plants enabled the merged company's senior managers to combine functions in areas such as production control without having to travel large distances.

The companies' main products are computer-controlled turning machines used in industries such as cars and aerospace.

Mr Frick's analysis before the takeover had shown that only about 30 per cent of each company's product types were directly comparable. The rest were "speciality" tools; for instance, "multi-spindle" machines for making parts in high volumes, or tools for fashioning extremely slender shafts such as those used in electric motors.

'We had to convince Traub customers that the company was not going to die'

Klaus Frick, Index chief executive

The fact that these products are sold to highly specialised customers prepared to pay up to DM700,000 for a machine justified keeping product lines separate.

With the Traub name being retained in product advertising, Mr Frick is committed to promoting it as strongly as Index. "We had to convince Traub customers that the company was not going to die." That has meant keeping development efforts at the two groups at arm's length, although the 190 engineers (150 from Index and the rest from Traub) in the combined group's development staff are encouraged to swap ideas.

While production has not been combined, Mr Frick has shared some manufacturing-related tasks, such as heat treatment to harden specialised components and spare-parts distribution.

The sales forces have also been kept separate. "We always knew how tough their [Traub] sales people were," says Mr Frick. But now they are working for him rather than against.

TECHNOLOGY WORTH WATCHING

Shock absorbers could protect buildings

Shock absorbers could protect buildings during an earthquake or bomb explosion, in much the same way as they dampen the effect of going over bumps in cars.

Engineers in the US are developing shock absorbing devices controlled by sensors that monitor the way a building is moving. The shock absorbers use an oil suspension of tiny iron particles, whose viscosity – and the magnitude of the damping effect – can be modulated by creating a magnetic field. That would allow the suspension to be tightened up during a catastrophic event.

The shock absorbers, which require about 50W of power, can be run on batteries. The research, funded by the National Science Foundation, is being carried out at the University of Notre Dame, Indiana.

National Science Foundation: US, tel 7033061362; http://www.nd.edu/quake/

Magnetic device aids hearing

A hearing implant that relies on magnetic rather than acoustic vibrations promises to overcome many of the problems with traditional hearing aids.

Researchers at the University of Virginia are developing a device that uses an electromagnet to stimulate the inner ear. It leaves the middle ear system intact, allowing the normal acoustic pathway to work simultaneously. This makes it possible to design a control device to amplify the desired sound, while preventing background noise.

Because the aid relies on magnetic rather than acoustic feedback, it would be able to eliminate the high-pitched squeals caused by acoustic feedback in conventional hearing aids.

The device, funded by the Whitaker Foundation which backs work in biomedical engineering, has been tested on animals, but not yet on humans.

Whitaker Organisation: US, tel 7035282430; e-mail info@whitaker.org

Chip produces better motoring

A computer chip designed by Nasa's Jet Propulsion Laboratory is being installed in Ford cars to improve fuel economy, reduce emissions and diagnose misfiring problems.

The chip is a neural network, which is modelled on the way that neurons in the brain process large volumes of information and "learn" to recognise patterns. The neural nets will "learn" how to optimise fuel economy, reduce emissions and diagnose problems such as the engine misfiring.

Jet Propulsion Laboratory: US, http://www.jpl.nasa.gov/releases/98/ijcnn98.pdf

Plastic use for scrap waste

Researchers at Warwick University in the UK have found a way of making plastic products from an otherwise useless residue that is left over from recycling processes.

Recyclers are frequently left with scrapyard shredder waste that cannot be turned into anything intrinsically useful.

The researchers at the Warwick Manufacturing Group have developed a process for sealing this waste inside plastic components. The final products can be painted and used in plastic components and containers ranging from car parts to washing-up bottles.

Warwick University: UK, tel (0)1203 523784; e-mail g.f.smith@warwick.ac.uk

Vanessa Houlder

TECHNOLOGY SWEETENERS

Intense enough to set your teeth on edge

Artificial sweeteners, back in fashion, may now be about as sweet as they are ever likely to get, says **Nikki Tait**

"Sweets for the sweet," declared Hamlet a few centuries ago. Today, the question might be exactly how sweet?

The past months have seen a sudden burst of fresh regulatory approvals for high-intensity sweeteners, with the promise of more to come. Most attention has attached to sucralose, developed by Tate & Lyle of the UK but produced and marketed under licence by a subsidiary of the US-based Johnson & Johnson group.

This spring, the US Food and Drug Administration finally gave the green light for its use in 15 food and drink categories in the big US market. Sucralose is said to be 600 times sweeter than sugar.

But Monsanto, the St Louis-based company that dominates the artificial sweetener business through its long-standing aspartame product, has also been active.

It has filed for "table top" usage approval for neotame, a new product that proponents claim is about 8,000 times sweeter than sugar. By contrast, aspartame, often better known by its brandname Nutrasweet, is a mere 200 times sweeter.

Nor is that the end of the story. Also up for US approval – although already accepted in countries such as Australia, New Zealand and Mexico – is alitame. Alitame is a dipeptide made up of two amino acids. It was developed by Pfizer before the US drugs group sold its food science business to the Helsinki-based Cultor group.

Wider use approval has already been given to Hoechst's acesulfame-K, known as Ace-K and marketed in Europe as Sunett. This summer, immediately after the FDA authorised it as a soft drinks ingredient, Pepsi announced plans to launch in the US a diet cola that uses Ace-K.

There is even a separate initiative to re-authorise cyclamate, an older sweetener banned in the US almost three decades ago for health-related reasons.

Why this revival in interest now? Players in the industry say it reflects a mixture of long-standing R&D programmes, the pace of regulatory approvals, and patent expiries.

For centuries, consumers' sweet tooth cravings were satisfied by natural products. Saccharin came along in the 1800s but fell out of favour on health grounds. (It is widely viewed as a possible, if weak, human carcinogen).

In the 1980s the Chicago-based Searle company, now a unit of Monsanto, came up with aspartame. Some estimates suggest this takes upwards of 70 per cent of the $900m-a-year high intensity sweetener market. Nevertheless, the patents on aspartame ran out by the early-1990s, encouraging competition.

The technology of the sweetener business also favours innovation. Most high-intensity sweeteners result from some form of molecular chemistry. But, from a customer's standpoint, the requirements are a mixture of taste, stability, economics, and safety. To date, few products have satisfied all requirements, encouraging blending.

"The science is pretty complex," says Nick Rosa, president of Monsanto's nutrition and consumer business division. "The flavour profile of a yoghurt is very different from that of a chewing-gum, which is very different from a soft drink."

An orange-flavoured soft drink is different from a lemon or lime product or a cola. And often there is an optimal flavour/sweetener profile for each given product category or niche.

"I don't think there is an easy technological explanation for the sweetness part, the intensity level," says Mr Rosa. "What it really amounts to is the interaction at the molecular level of the taste receptor in the tongue and the molecule."

Finally, the market itself has been fairly enticing. While high-intensity products are still a relatively small part of the overall sweetener market – worldwide, they amount to perhaps 8 per cent of sales of traditional sweeteners like sugar and corn syrup – they have posted higher growth rates as marketing of "calorie-controlled" foods and drinks has expanded. According to the Calorie Control Council, a US industry trade association, about 73 per cent of US consumers buy low-calorie products regularly, compared with 50 per cent five years ago. So, what the newer products promise is either more for less, or some type of product enhancement.

Sucralose, by contrast, is trying to capitalise on "natural origins," claiming to be the only low-calorie sweetener "that is made from sugar". It is produced by replacing some of the hydrogen-oxygen units in a typical sugar molecule with chlorine atoms that then pass through the human body without being metabolised.

Almost too sweet to bear: high intensity products have benefited as marketing of 'calorie controlled' foods has expanded © E H Shepard

'The flavour profile of a yoghurt is very different from that of chewing-gum, which is very different from a soft drink'

The final reason for a burst of product development is the length of regulatory reviews and the delay between submissions and final approvals. From a consumer standpoint, sweeteners are still surrounded by health-related issues. Saccharin, for example, carries a warning notice in the US of its possible cancer-causing properties.

Even aspartame is obliged to carry a caution in the US that it should not be used by individuals with a rare genetic disease called phenylketonuria.

Michael Jacobson, at the Washington-based Center for Science in the Public Interest, also worries about other products on the market. He maintains that Ace-K has "not been well enough tested", for example.

But Hoechst says Ace-K has been very adequately tested in more than 90 studies, and has been used in products consumed by billions of people with no substantiated ill-effects.

Mr Jacobson says his organisation is also opposing any re-authorisation of cyclamate in the US. Cyclamate is made by Abbott Laboratories, and the re-authorisation initiative is co-sponsored by the Calorie Control Council.

He says the centre has no direct worries with sucralose, except the broader issue that by encouraging consumption of extremely sweet, non-nutritional drinks and foods – all sweeteners may be pandering to consumers' sweetness appetite. That, in turn, may exacerbate a range of problems from obesity to dental disease. "These products could just whet people's appetites for more sweet products," he says.

Perhaps the final question is precisely how sweet sweeteners will get. Mr Rosa, for one, thinks Monsanto has probably pushed technology as far it knows how: "Neotame is probably the end-game in high-intensity sweeteners. In terms of stability and economics...there is not going to be a marked improvement...with another molecule."

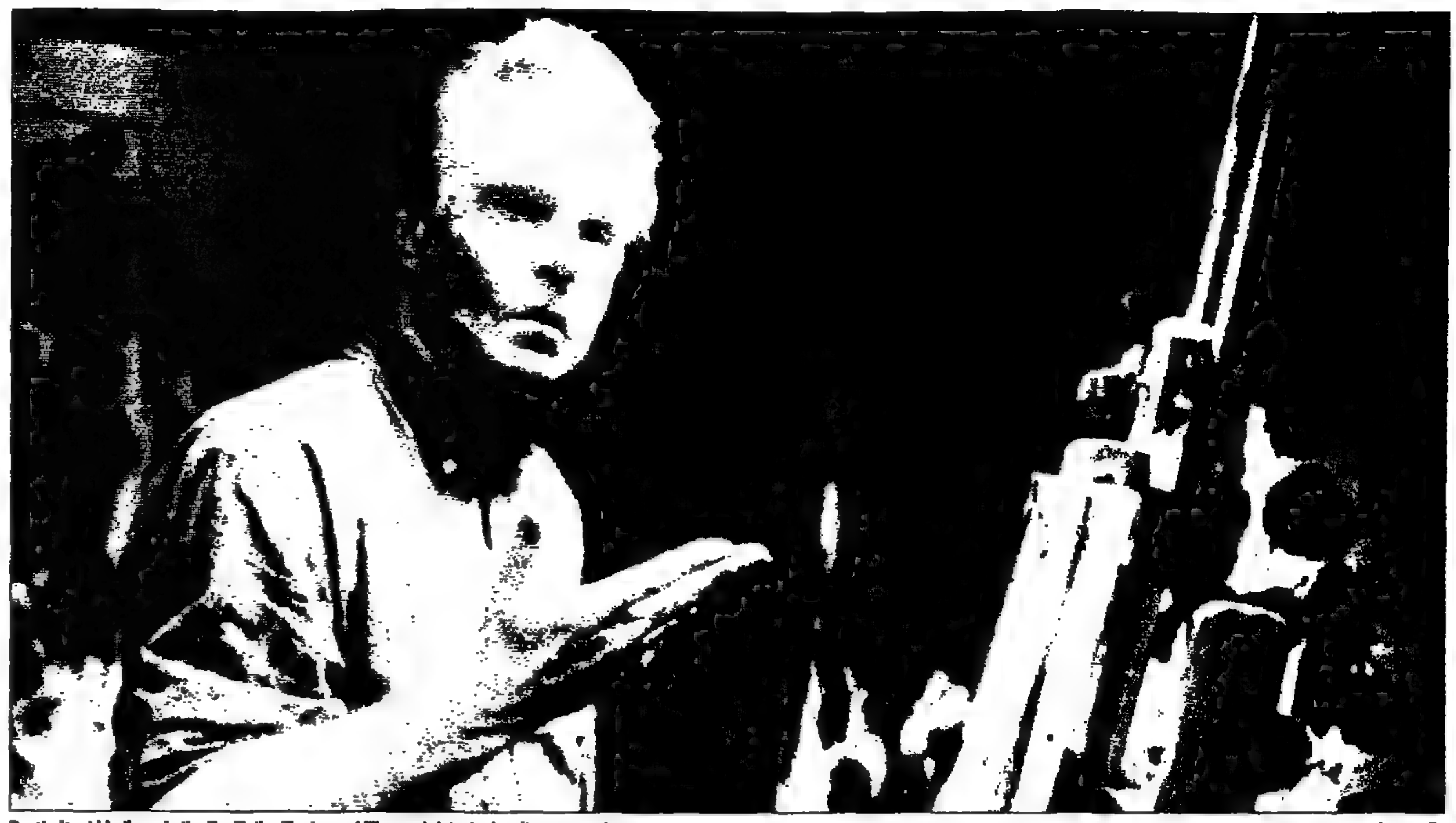
Consistent with the company's agribusiness drive, he thinks the next initiatives will be based on genetic modification of underlying crops. "Why can't we modify basic foods to be sweeter? And the answer is, we can; in some basic products like soyabeans, canola [rapeseed] oil, wheat, corn. It is not going to cost more to grow wheat that is perfect for a baking application, with no sweetener required. I think that is probably five to 10 years out."

صورة من الاصل

CINEMA

Brittle portrait cleverly framed

Martin Hoyle finds a film about Francis Bacon eerily distant



Derek Jacobi in 'Love is the Devil': the film is as chilling and detached as its protagonist

Artificial Eye

Love is the Devil is so clever that it alienates you. This account of the painter Francis Bacon's *relationship with* the petty East End criminal who literally dropped in on him (through the skylight) in the pursuance of burglary, is, appropriately, visually striking; but intellectually undernourished.

John Maybury's first feature consists of beautifully composed frames, whether naturalistic dark interiors – such as the recreated Soho drinking club, the Colony Room – or the distorted spoon reflections and angular visions that echo the painter's tortured style. But the dialogue is no great shakes, especially when evoking the brittle world of alcoholically arty cliquishness in the 1960s. Bacon's social assets amount to a camp bitchiness couched in the irritating terminology still found among homosexuals of a certain age, where other males are referred to as "she".

What attracted the rough George Dyer to Bacon – for, as the film emphasises, the attraction was deep and complex – is never made clear. From Daniel Craig's not quite convincing cockney to Tilda Swinton's jaw-breakingly pukka Muriel Belcher (legendary dragon of the Colony Room), one vacillates between admiration at the cleverness of it all and the realisation that true cleverness should not be so self-conscious.

The air of calculation that permeates the movie is summed up by the use of present-day artists, and the merely arty, as extras *in the*

LOVE IS THE DEVIL
John Maybury

LETHAL WEAPON 4
Richard Donner

MEN WITH GUNS
John Sayles

CHARACTER
Mike van Diem

THE DOOM GENERATION
Gregg Araki

KISSING A FOOL
Doug Ellin

pub, club and bar scenes. Spot Maria Bjornson. Clock Anita Pallenberg. The implication that today's bohemians correspond to their 1960s counterparts is tosh.

Derek Jacobi looks uncannily like the puffy-faced Bacon. Presumably the image of a cold, distant user of people is intentional, however diminishing the returns when applied to an unlikeable central character. The film is as chilling and detached as *its* protagonist; and leaves you as emotionally indifferent.

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As if to pre-empt charges of cynicism, *Lethal Weapon 4* makes much of the ageing process. The two cops of the decade-old series are now well into middle-age: Danny Glover and Mel Gibson – the latter especially leathery and short of breath.

But if the script turns this to advantage, there are signs of desperate contrivance elsewhere: cars shunted into the paths of oncoming trains not once but twice; cars hurtling through the glass walls of skyscraper blocks; ordeals by fire and water (the latter entailing the longest-held breath in the history of aquatic survival).

It adds up to a pile of junk, with a health-warning attached to those allergic to rough male matiness and whimsicality, garnished with *fouler language than expec*ted from a patently juvenile offering. The sole touches of style are provided by Rene Russo, playing nine months pregnant though sailing through fist fights, car smashes and conflagration; and the hypnotically villainous martial arts star, Jet-Li. Not for anyone over 12.

*

John Sayles is an overtly political director. He also sports a streak of feyness a yard wide, as the Celtic whimsy of *The Secret of Roan Inish* showed to tiresome effect. *Men with Guns* combines the two characteristics, incidentally squeezing the life out of a promising idea.

In a Latin-American country, the distinguished Dr Fuentes (the Argentine actor *Federico José Luppi), his* career nearing its end, decides to look up the students he trained to work with the Indians in rural communities. His quest reveals that the doctors, no less than their patients, have been subjected to atrocities in the perpetual struggle between army and guerrillas. On his journey he acquires companions: a psychotic ex-soldier, a failed priest from Graham Greenland, a starving urchin, a traumatised rape victim…

The story-telling has the linear simplicity (and unvarying pace) of a folktale: the flatness but not the resonance. Characterisation aims at archetype but ends up as stereotype. Well-meaning, humane, dull.

Character is the dramatisa*tion of a 1930s Dutch novel* that begins as Dickens and ends as Howard Spring. A sort of *Great Expectations*, though the ambitious young hero's rise to success is influenced by a powerful observer as much malevolent as benign. Finely acted, last year's foreign-language Oscar winner boasts the rich, dark lighting of Rembrandt's homeland and its humanity, with sinister effects from German expressionism for good measure.

The triumph of Mike van Diem's direction is to create pre-second world war Rotterdam – from locations in France, Germany and Poland. If this isn't Rotterdam, you feel, this is how it *should* be.

More beautiful lighting in *The Doom Generation*, the *self-styled "first heterosex*ual movie" from cultish Gregg Araki. John Waters's irreverent rudeness is hitched to something darker: a road movie where heads are blown off and continue talking, detached arms still move their fingers, and a sweet-natured bisexual goof is castrated by fascistic rednecks. Brilliant visuals; mind-battering language (American cops should feel at home), an authentic glimpse of the US as garish nightmare. When Araki grows up he will make memorable films.

Kissing a Fool revolves round David Schwimmer, famous as Ross in TV's *Friends*, an almost abnormally long-faced actor evocative of those daffy, melancholy faces in Mad *magazine. This "romantic* comedy" (a label as ominous as "comedy thriller") is wafer-thin and feather-light: wrong boy seems to be getting girl, his best friend turns out to be the right boy.

Schwimmer never stirs too far from his Ross portrayal: his womanising jock sports reporter is soft-centred and romantic. More gumption comes from Jason Lee as the languishingly bookish friend. They should have swapped roles.

Frayn shows the limits of his talent

THEATRE

ROBERT HANKS

Alarms and Excursions
Gielgud Theatre, London

Felicity Kendal: put through her paces

Alastair Muir

Few writers have shown themselves more versatile than *Michael Frayn*, in terms both of the forms he chooses – he has written journalism, novels, plays, films and philosophy – and of his ability to hop between the comic and the serious. *Alarms and Excursions*, subtitled "More Plays than One", could have been written expressly to show off his range: after *Copenhagen*, a sustained and serious intellectual drama set around the dawn of the atomic bomb, a series of tiny comic playlets and sketches.

Four actors – Felicity Kendal, Josie Lawrence, Nicky Henson and Robert Bathurst – are put through their paces in a collection of eight scenes debunking modern manners. The situations are familiar: a middle-class dinner party; *a night* in a Continental hotel; waiting for an aircraft to take off; inaudible conversation at a loud party; a politician's speech; a *self-congratulatory* corporate binge; meeting a friend at the airport. But in each case, Frayn pushes the situation to absurdity.

So the dinner party is reduced to chaos by gadgets – an unworkable bottle-opener and a phone with multiple extensions – against a Rossini crescendo of electronic devices: smoke alarm, burglar alarm, car alarm, oven timer (a sort of "Noises On"); the corporate functionaries are systematically humiliated by the *attempt to juggle sales* reports, wineglasses, buffet lunches and applause; the airport trip dissolves into a *welter of crossed answer*phone messages.

The contrast with *Copenhagen*'s rigorous intellectual calisthenics could not be starker: is there, the audience seems to be being asked, no end to Frayn's talents? The answer, unfortunately, is yes, there is. Frayn has an unrivalled ear for the bourgeois voice and manner – the elaborate dinner-party rituals of jokiness and self-depreciation ("… something very simple in the oven," apologises the hostess), the cringe-makingly humorous answerphone message. There were times during the evening when my *face was frozen into a* rictus compounded of two parts hilarity to three parts of hot, cringing self-recognition. There are sequences of brilliantly orchestrated farce and excellent one-liners, skilfully delivered by the cast and the director, Michael Blakemore.

But too often the jokes sit uneasily in sketches that, *however short, feel over*extended; the farcical climaxes are wonderful, but the build-ups are uneven and *forced. Perhaps farce can* never survive in such a compressed form; but to say that is to beg the question of why Frayn bothered to write these pieces. It is not easy to find a satisfactory answer. True, there is a moral agenda here, a poke at the ways we fail to communicate with each other; but the motivation behind several of the sketches seems to be contriving a setting for the one or two really good jokes that illuminate them.

One of Josie Lawrence's roles, a *middle-class* wife on holiday abroad, suffering flippancy fatigue, exhaustion brought on by her husband's incessant attempts to wring humour out of every situation, eventually demands that he say something, *anything* serious. He pauses to collect his thoughts before coming up with "Bright's disease?" For all its pleasures, *Alarms and Excursions* lets you know exactly how the wife feels.

Adventures with a personal language

MUSIC

RICHARD FAIRMAN

Lindsay Quartet
Wigmore Hall, London

The period after a composer's death can be an awkward one for his reputation. Once the commemorations are over, decades may pass while the music seems neither new enough to warrant publicity, nor old enough to command respect. In Tippett's case, there have not even been any important retrospectives, understand*ably perhaps when his 90th* birthday celebrations came only a couple of years before he died.

The Lindsay Quartet's series of the string quartets at the Wigmore Hall this week has rather a lone feel about it; but they insist it is not a commemoration, more an affectionate gesture to a man they had counted a friend and colleague since the early 1970s.

The five quartets – two in Tuesday's recital, the other three to follow tomorrow – *may well prove to occupy an* influential place in Tippett's work.

While audiences may baulk at the idiosyncratic librettos he wrote for his operas, and foreign orchestras have shown limited enthusiasm for getting to grips with the complexities of his symphonies, the quartets will always be there to tempt adventurous musicians. They follow much the same path as the symphonies in miniature.

The Second Quartet, composed in the *darkest days of* the war in 1941-42, alternates nostalgic English string writing with passionate outbursts born of pain and foreboding.

Unlike his contemporary Britten, Tippett did not seek to hide his feelings under a veneer of cool-headed professionalism, though whether that should make his music more or less accessible to non-English audiences is difficult to say.

The Fourth Quartet is a work of a different era, dat*ing from the same part of* the 1970s as the Fourth Symphony. By this time, Tippett had developed both a sound-world and a method of argument that were entirely his own. For all the links to Beethoven which he openly encouraged us to make (the Lindsay Quartet helpfully scheduled Beethoven's Op.130 with the *Grosse Fuge* after the interval), there is nothing weakly derivative about his mature musical style.

Tippett's is a very personal *language, characterised by* particular stresses and accents over which the Lindsay Quartet exercise a special mastery. Their performances on Tuesday had some rough edges, but one accepts those as part and parcel of the package, thanks to the Lindsays an essential feature of Tippett's urgently communicative style as it will be handed down to future generations.

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: *Carlson-Humphrey-Tharp.* Programme of works by the three choreographers; Sep 18, 19

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
www.stedelijk.nl
Bill Viola, 25 Year Survey – A Video Journey: major survey of work by the American video artist; to Nov 29

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen; Sep 20

ATLANTA

EXHIBITION
High Museum of Art
Tel: 1-404-733 4444
Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal *training; to Sep 20*

BUCHAREST

CONCERTS
Sala Mare a Palatului
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 18
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schumann and *Mahler.* With piano soloist Radu Lupu; Sep 19

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Effigies and Ecstasies: *Roman* Baroque Sculpture and Design in the Age of Bernini; to Sep 20

FRANKFURT

CONCERT
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: conducted by Heinz Holliger in works by Haydn and Mozart; Sep 18

LONDON

CONCERT
Royal Festival Hall
Tel: 44-171-960 4242
London Philharmonic Orchestra: *Valery Gergiev conducts the* season's opening concert. *Programme includes works by* Tchaikovsky and Berlioz, with the London Philharmonic Youth Orchestra, London Philharmonic Choir and violin soloist Sarah Chang; Sep 20

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Picasso: Sculptor and Painter in Clay. This first major exhibition of Picasso's ceramics will include around 100 pieces, many of which have never before been exhibited. They will be shown with some paintings and *sculptures, demonstrating how* Picasso developed his ideas across different media; from Sep 17 to Dec 16

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Rusalka: by Dvořák. Conducted by Richard Hickox in a revival of David Pountney's production, *directed by Lynn Binstock. The* title role is sung by Susan Patterson; Sep 17

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Heinrich Schiff in works by Beethoven, Hindemith and *Mahler;* Sep 20, 21, 22

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: Kurt Masur conducts Beethoven – The Complete Symphonic Cycle. Programme I (Sep 17, 18); Programme II (Sep 19, 22)

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
● *Love Forever* – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to *prominence* in the late 1950s with a series of large-scale monochromatic paintings called Infinity Nets. This display includes *installations and a film* as well as paintings, sculptures, photographs and collages; to Sep 22
● *Tony Smith (1912-1980):* Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, *sketches, photographs and* models of architectural projects, some of which were never realised; to Sep 22

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Partenope: by Handel. Directed by Francisco Negrin and *conducted by George Manahan.* Lisa Saffer sings the title role; Sep 19, 22
● Tosca: by Puccini. New production by Mark Lamos, in association with Glimmerglass Opera. George Manahan conducts and the cast includes Isabelle Kabatu, Antonio Nagare and Mark Delavan; Sep 18, 23

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Orchestre National de France: conducted by Leonard Slatkin in works by Chabrier, Franck, *Fauré, Roger-Ducasse and* Schmitt. With piano soloist *Michel Dalberto;* Sep 17

DANCE
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Cuban National Ballet: Swan *Lake, in a staging by Alicia* Alonso; Sep 22

EXHIBITION
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Millet/Van Gogh: display of 85 *works brought together* to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, *drawings and pastels* by both artists, many of them on loan from the Van Gogh Museum in Amsterdam; from Sep 17 to Jan 3

ROME

EXHIBITION
Borghese Gallery
Bernini, the Sculptor: The Beginning of Baroque Art in the Borghese Family. Brings together pieces belonging to the villa with *loans from abroad, including the* famous Hermaphrodite from the Louvre. Includes self-portraits and early pieces, and paintings by Lanfranco; to Sep 20

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee *Williams' play. The staging is by* Colin Graham, with designs by Michael Yeargan. André Previn conducts and the cast stars *Renée Fleming;* Sep 19

SEATTLE

CONCERT
Benaroya Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
Seattle Symphony Orchestra: conducted by Gerard Schwarz in the world premiere of Bright Sheng's Spring Dreams. With soloists including cellist Yo-Yo Ma; Sep 18

STOCKHOLM

EXHIBITIONS
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● International Surrealism: works from the collection by artists including Dali, Duchamp, Magritte, Ernst and Giacometti; to Oct 5
● *Man Ray: Objects of My* Affection. Album comprising 38 sheets compiled in 1944 when Man Ray was working in Hollywood; to Oct 5

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Japan Philharmonic Symphony Orchestra: conducted by *Gianluigi Gelmetti in Brahms'* German Requiem; Sep 17, 18
● Japan Virtuoso Symphony Orchestra: conducted by Philippe *Entremont in works by Berlioz* and Beethoven; Sep 20, 21

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe *on medium wave* 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN
ECONOMIC VIEWPOINT

Time to buck up

We should stop wallowing in pessimism and think how best to minimise the dangers of global deflation

During the worst years of the cold war, we suffered from gloomy and pointless speculation about the likelihood of a global nuclear hot war. As a precocious youngster, I wanted to discuss which policies would reduce the likelihood of such a disaster. It was axiomatic that the aim of western policy should be to remain neither red nor dead; simply wallowing in disaster scenarios seemed to me an immoral evasion as well as a fruitless speculation on the unknowable.

Similarly with today's economic problems. It seems pointless to speculate on whether there is going to be a world economic crash. There has been such a crash in several east Asian countries and Russia, and a recession, following years of stagnation, in Japan. The question is whether such a collapse can be prevented in the rest of the world.

Recent stock market falls do not yet warrant pessimism. Equities have been so clearly overvalued that a correction can be regarded as healthy. Even now Wall Street prices are still higher than they were when Alan Greenspan, the chairman of the Federal Reserve, spoke about "irrational exuberance". But suppose that equity markets were to fall much further? Even then doomsters should be cautious. For as many observers have pointed out, the stock market has anticipated five of the last two recessions – and the Fed would not be powerless to take offsetting action.

People have short memories, but the gloom at the time of the fivefold explosion in oil prices in 1973-74, following the Yom Kippur war, was worse than it is today.

Even sticking strictly to economic analysis, the problems were more worrying then. For at that time the world was suffering from inflation and deflation at the same time – inflationary symptoms when it came to prices and deflationary ones when it came to output and employment. Policies to contain inflation would make recession worse; and policies to counter recession would increase further the dangers of inflationary take-off. In the event both unemployment and inflation rose together for three years running, giving birth to the idea of a misery index.

Market economies have always been subject to boom and bust

Today the danger comes from the deflationary side. This does not mean that it will be easy to counter, or that policy makers can forget about inflation as a thing of the past. But at least for the present they can all face in one direction.

It would help to distinguish between the Russian problem, which is primarily political, and the economic dangers in the capitalist world. Yevgeny Primakov's Russia is set to retreat into some kind of command economy. Such an economy cannot fulfil its citizens' aspirations. Yet Russians might stand a better chance of being fed and clothed than they would if the country disintegrated into anarchy or civil war. It is, however, time to abandon illusions that a Russia of this kind will be a friendly power; and it might be still necessary for the west to maintain deterrents against foreign adventures.

On the other hand the feedback from the crisis of presidential authority in the US, or from smaller uncertainties such as the German elections, is exaggerated. Whoever is president of the US is likely to rely on the economic and foreign policy team of Alan Greenspan, Robert Rubin and Madeleine Albright – and any replacements would come from the same policy group. While bold initiatives are unlikely, this may be just as well on the foreign policy front. And in international economic policy, the less presidents and prime ministers intervene the better.

Some commentators are worried that recent events will trigger a shift back from free markets to controls and restrictions. They point to the example of Malaysia's adoption of exchange and capital controls. If some countries want to take Mahathir Mohamad, the Malaysian prime minister, as a role model, they deserve all they get. There is no reason why the rest of us should follow suit.

Market economies have always been subject to cycles of boom and bust, and bubbles that burst. This has been obvious since the South Sea bubble of the early 18th century. While wise policies can reduce these swings, they are unlikely to eliminate them; and we had best regard them as part of the price we pay for the benefits of the division of labour and consumer choice.

Anyone with any doubts might glance at the table, which compares developments in former communist countries with other European nations. It comes from a study by János Kornai, a distinguished Hungarian economist. He shows that, between 1950 and 1980, the four poorer countries of western Europe grew twice as fast as the communist countries. Czechoslovakia, Hungary and Poland, only slightly behind Austria in 1937, were far behind it by 1980.

The obvious "western" weak spot is Japan. The need there is to reconstruct the banking system and to reflate the economy – in plain language to get people to spend more. The most important step so far has been the hints of the Bank of Japan that it might "monetise the debt" – purchase government and corporate bonds to put cash into the public's hands. The best assessment I have so far seen comes from Gavyn Davies of Goldman Sachs, who writes that this would be: "Good because it limits the risk of a downward spiral in Japan. Good because it eases global monetary conditions. Bad because it threatens to weaken the yen and cause more trade pressures on the rest of Asia. Ultimately good because all this increases the chances of early Fed ease."

But let us assume the worst: that the Japanese recession still has further to go and will be followed by a levelling out rather than a real recovery. Japan accounts for 23 per cent of the output of the industrial countries that belong to the Organisation for Economic Co-operation and Development. This is not trivial, but it is limited enough for other member countries to take up the slack – especially considering that Japan is largely a continental economy, less dependent on trade than the European nations.

Growth records compared

GDP per capita
1989 compared with 1950 (1950=100)

Greece	519.6
Portugal	459.2
Spain	419.2
Ireland	318.7
Hungary	270.9
Soviet Union	263.3
Czechoslovakia	246.4

GDP per capita as a % of Austria

	1937	1980
Czechoslovakia	90	70
Hungary	63	52
Poland	53	45

Source: Janos Kornai, From Socialism to Capitalism, Social Market Foundation

The key actors are the US and the 11 members of the European Union that are about to adopt the euro. Some US slowing down after recent exuberance is inevitable and indeed desirable. The danger point at present would be from a Wall Street fall that goes further than a healthy correction and dealt a blow to personal spending. If there were signs of that occurring, it would be time for the Fed to delight the US Congress with "cheap money and plenty of it".

But assuming that a severe US recession can be prevented, there is no reason why Europe should not continue its moderate recovery, whether or not there is a hard landing in the UK. It is however a relief that the key actor is the Fed, led by Mr Greenspan, which has a balanced approach to the dangers of inflation and recession, rather than European central bankers who have rightly diagnosed the structural nature of European unemployment but need to be prodded into seeing that depressed demand can make it worse.

Harold Wincott once wrote in this column that the danger of swallowing too readily a vulgarised version of Keynes in the postwar decades, when the real danger was inflation, was that he would be discredited when he was really needed. Thanks to American level-headedness we look like escaping this danger. There is a case for the Fed, the new European Central Bank, the Bank of Japan and the Bank of England to act together, despite the failure of past attempts. But so long as the Fed keeps its cool, and the European central bankers remain more rational than some of their more moralistic rhetoric would suggest, we do not need to look for the bunker. This week's Group of Seven statement, which skipped the customary sermons on sound finance and admitted that the balance of risks had moved towards deflation gives one grounds for modest optimism.

samuel.brittan@FT.com

LETTERS TO THE EDITOR

Soundness of Brazil gives it ability to deal with excessive fiscal deficit

From Mr Peter J. West.

Sir, In the Lex column (September 15) it is said that Brazil is living on borrowed time and may have to impose a debt moratorium. The arguments employed to reach this conclusion are seriously flawed. In particular, it is totally inappropriate to take the amount of maturing domestic debt ($90bn) and say that neither international reserves ($50bn) nor potential International Monetary Fund financial support are sufficient to cover it.

The short maturity and floating-rate nature of much of this debt is certainly problematic. However, these obligations are mostly held by nationals, and do not represent claims on foreign exchange resources. Their continuing roll-over has to be ensured, a process which the country's sophisticated capital markets have always been well equipped to deal with.

It is true that the recent hike in interest rates is unsustainable for long owing to the fiscal cost. However, this is an emergency measure to deal with an emergency situation. Once the elections have taken place in October, the conditions will exist for the implementation of a medium-term programme to lower the country's excessive fiscal deficit. This will allow rates to come down and lead to a gradual restoration of confidence.

Unlike Russia, Brazil has a sound banking system and large tax revenues. It also enjoys political stability, with President Fernando Cardoso set to be re-elected. The economic authorities are very competent and fully committed to the market rules of the game. Russian-style debt defaults and Malaysian-style capital controls are out of the question.

Peter J. West,
chief economist,
BBV Securities,
1 Angel Court,
London EC2R 7EL, UK

Ministers parrot nonsense on recession

From Mr S. G. Kay.

Sir, I have spent more than 30 years in the paper and board manufacturing industry, and have weathered recessions in every decade since the 1960s. To paraphrase the well-known saying, "If it looks like a recession and acts like a recession, then it probably is a recession".

UK manufacturing is in real – not technical – recession. The effects are beginning to spread into the retail and service sectors. People are beginning to fear for their jobs as well as face much higher mortgage costs as annual reviews of interest rates come through.

It is bitterly disappointing that Labour ministers parrot the same nonsense as their Conservative predecessors "Warning on job losses 'hype' " September 15); in the end they will suffer the same fate unless they listen hard and find out what is really going on in the communities they represent.

Of course there are significant global issues, but we do not have to compound their effect by high interest rates and an overvalued pound. A government which acts against the interests of its people will rapidly lose their confidence. The high hopes of May 1997 are being dissipated unnecessarily.

S.G. Kay,
managing director,
Inveresk,
3 Pitreavie Court,
Dunfermline,
Fife KY11 5PU, UK

Suspect methodology for stock market values

From Mr Christo Leventis.

Sir, Barry Riley seems to have been infected by the end of the silly season ("Porridge for the bears", September 5-6). Leaving aside whether drawing a trend line through stock market graphs gives one any idea of underlying value, Mr Riley's methodology is suspect. Yes, the Dow Jones Industrial Average has seen a sharply steeper increase in nominal value on a linear scale since 1995, and extending the prior trend does result in a current value of about 4,800. But of course, the higher the Dow rises in nominal terms, the steeper the graph will become to achieve the same percentage increase.

Taking the graph of the Dow back to early this century, when its nominal level was in three figures, would result in a line resembling the flight path of the space shuttle. A logarithmic scale, which adjusts the scale so steepness is proportional to percentage change, shows the Dow's rise since 1995 has been less steep than that from 1985-87, and gives an extended trend level for current "fair value" of nearer 6,000. On the same basis, the Footsie's fair value is not much below 5,000.

Christo Leventis,
17 Alexander Place,
London SW7 2SG, UK

Number One Southwark Bridge, London SE1 9HL

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PERSONAL VIEW DICK LEONARD

The price that must be paid for friendship

France may find that warm relations with Germany will cool if it does not increase its financial contribution to the European Union

A bust-up between Germany and France is on the cards this autumn, irrespective of who wins the German federal election on September 27. It will put enormous strains on the Franco-German partnership which, since the days of Adenauer and de Gaulle, has been the engine room of the European Union.

Money is at the root of the looming disagreement. At the Vienna summit of EU leaders in December, the financing of EU activities for the next seven years (beginning in 2000), is due to be settled. Jacques Santer, the Commission president, and his fellow commissioners put forward their proposals more than a year ago. Theirs is hardly a free spenders' charter. They argues that the EU does not need to spend more than 1.27 per cent of Gross National Product (its current expediture limit), even though six or more new member states are likely to join in the next few years. And they forecast that total available resources will rise by 24 per cent during the period, based on some fairly optimistic views of economic growth in the EU and central Europe.

The probability is that the Vienna summiteers will broadly accept the commission's overall proposals. Yet there is a gaping hole in the commission's document. It makes no suggestions for amending the present sharing of costs between the member states. Ever since the European Community was founded in 1958 the lion's share has been paid by Germany. For many years it made no complaint about this. It was easily the richest of the larger states and was anxious to demonstrate its deep commitment to European integration.

Yet since German reunification, in 1990, there has been a big change in Germans' attitudes towards the EU. Germany is no longer one of the richest states in per capita terms, and the costs of reunification have been a heavy burden on its budget. In recent months Helmut Kohl, the chancellor, has repeatedly insisted that Germany's net contribution should be revised downwards. Gerhard Schröder, his Social Democratic challenger, has conspicuously failed to contradict him.

Net contributions by member states

Ecu bn (after British rebate)

Net contributors		Net beneficiaries	
Germany	10.0	Spain	6.1
Netherlands	2.4	Greece	4.1
UK	2.3	Portugal	2.8
Italy	1.2	Ireland	2.3
Sweden	0.7	Belgium	1.8
France	0.4	Luxembourg	0.8
Austria	0.2	Denmark	0.2
		Finland	0.1

Source: CEPS

In Brussels the issue is being kept under wraps until the election is out of the way – but after that there will be extreme pressure to resolve it in the next four months. It took four years to settle the comparable British budget dispute in the early 1980s (in spite of Mrs Margaret Thatcher's handbag). The prospect of reaching a settlement before or at the Vienna summit does not look good.

Germany is no longer one of the richest EU states in per capita terms, and the costs of reunification have been a heavy burden on its budget

The commission has always refused to publish figures about net payments and receipts of member states – that is, the difference between their financial contributions and the benefits they receive from the Common Agricultural Policy and the EU's so-called "structural funds" which help poorer regions The German government recently took the initiative in releasing its own unofficial figures, which are unlikely to be very wide of the mark (see table).

It shows that Germany pays substantially more than its "fair" share – 25 times as much as France, which now has a markedly higher per capita GNP. It is not the only country with a grievance. The Netherlands, with a population only a quarter of Britain's, actually pays slightly more, and six times as much as France. Sweden, also, in relation to its size, pays somewhat over the odds.

On the other side of the table, Belgium, Luxembourg, Denmark and Finland – all of which have higher-than-average GNPs – are net beneficiaries, as is Ireland, whose relative wealth is sharply increasing.

All these countries are small. Even if they were to become net contributors it would not do much to ease the burden on Germany and Holland. The inescapable conclusion is that it is France that should be making the main effort to pay more. One of the richer EU states, with a population similar to Britain's, equity would suggest that it should put rather more than the British into the common pool. Given the track record of the French in the EU, however, it can be assumed that they will fight stubbornly and use every trick in the diplomatic handbook to avoid stumping up.

If France does not, the price will be an increasingly frustrated German government and a risk that German public opinion (already unhappy about the prospect of exchanging the D-Mark for the euro) will become disenchanted about the whole European project.

Even without French opposition, it will not be easy to rectify the inequities in EU funding. There are two possible way of doing it. The more direct would be to give special rebates to Germany and Holland similar to the one enjoyed by Britain since 1984 when the earlier dispute was resolved. This would be highly unpopular with the European Commission, and probably also with a majority of member states who regard it as an unfortunate precedent, not to be repeated.

So a more likely approach would be to reshape the balance between the four sources of EU revenue – customs duties, agricultural levies, value added tax payments and contributions based on member states' GNP. By sharply increasing the proportion of money provided by the fourth element, the worst discrepancies could be reduced, though not removed.

Either way, though, there will be furious bargaining later this year before agreement can be reached. If there is no agreement the ability of the EU to budget in future will be in jeopardy, while relations between France and Germany will become glacial. This would pose the greatest threat to the EU in its 40 years' existence.

The author is senior adviser to the Centre for European Policy Studies in Brussels

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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The G7 wakes up

The holidays are over. Policymakers in the Group of Seven leading industrial countries are finally waking up to the threat posed by collapsing demand and financial markets across the world.

Japan remains mired in recession. Asia's crisis has not hit bottom. Russia has collapsed. Latin America is teetering on the brink. Do policymakers understand the extent of the problem? And do they have a plan? The answers are: some of them are beginning to; and No.

Alan Greenspan, chairman of the US Federal Reserve, was off the mark first, as usual. He voiced his concerns about the global threat to US prosperity two weeks ago and returned to the theme of Japan's weakness in Congress yesterday. G7 finance ministers and central bank officials released a statement pledging to support domestic growth. This message was reiterated yesterday by Gordon Brown, UK chancellor, who warned of the threat of the emerging market crisis, not least the risks of protectionism.

Yet dramatic action should not be expected. Mr Greenspan said that, for now, there is no plan to co-ordinate interest rate cuts across the world. Hans Tietmeyer, Bundesbank president, vowed that Germany would not cut rates even if the US does.

Mr Brown travelled all the way to Tokyo to repeat the urgings of Mr Greenspan and Robert Rubin, US Treasury secretary, for Japan to come up with a credible plan for recovery. When banging heads against a brick wall, the more heads the better. But Japanese officials and politicians still seem bewildered by the collapse. Given the constraints on fiscal expansion and effective resolution of the banking crisis, aggressive monetisation by the Bank of Japan seems the only plausible short-term solution, despite the obvious attendant risks.

Emerging markets in Asia are still in a slump, with afflicted economies weighed down by the over-hang of foreign and domestic debt. Korean domestic demand has fallen 30 per cent over the last year. But the regional collapse is also damaging the robust economies, such as Taiwan and Singapore, while a weakening yen could be an excuse for a Chinese devaluation.

After Russia's default and devaluation, the contagion has spread to Latin America, most dramatically to Brazil. Indeed, all currency pegs now look fragile. As risk premia and interest rates rise, the panic feeds on itself.

Since Latin American countries have adopted the model of liberalisation the G7 has preached, they are now asking for help. But if Brazil is to avoid being forced to abandon its peg, it will need enough money to stem capital flight. The IMF is not equipped to be a lender of last resort in such a crisis. Decisions on how to respond must fall on the leaders of the G7 themselves. They must sustain domestic demand, but this will not itself staunch the ongoing capital flight from emerging market.

In responding to this collapse, they can either intervene on a massive scale, to support the crumbling currencies, or they can stand aside, accepting the further disarray that seems bound to follow. The choice is a hard one. But the G7 cannot evade a decision that is bound to determine the course of the world economy for years to come.

Russia's reversal

Russia's new economic policy direction is becoming ominously clear. Under enormous political pressure, Yevgeny Primakov, the prime minister, has apparently decided that his only option is to revert to a programme of money-printing. It is now hard to see anything but chaos in Russia's future.

The temptation to print money to pay the government's wage arrears is understandable. It would be extremely hard to get support for a harsh stabilisation programme, either in the Duma or among the public, without first clearing the government's debts to its own people.

Also unsurprising, though much less justifiable, is the reported decision of the central bank to bail out domestic banks by providing new credits. It is true that there is a crippling liquidity shortage in the banking sector. But most of the banks facing these problems should be closed, not bailed out. With the exception of Sberbank, the state bank, Russia's banks are mostly just vehicles for speculation. But, as many are owned by Russia's powerful oligarchs, the political will is not there to deny their requests for support.

Though the political motivations are understandable, this is a policy likely to end in disaster. An injection of liquidity into Russia's economy will do little to boost output, since the industrial sector is largely bankrupt and will use any extra cash to pay arrears, not to increase output.

Instead, a policy of "controlled" monetary emission is all too likely to end up as an uncontrolled money-printing splurge, as the demands on the government multiply. The result would be either a return to hyperinflation or, if effective price and exchange controls can be implemented, severe shortages of goods.

Can the descent into chaos be halted by a stabilisation plan a few weeks or months down the line? This seems unlikely. It would be difficult for anything short of a currency board to gain credibility. And a currency board can only work if the government runs its budget without resorting to the printing presses; with Russia's access to borrowing cut off, though, this seems unachievable.

If these are indeed Mr Primakov's policies, then the West cannot justify providing Russia with any more funds. The money would undoubtedly be wasted. All that the outside world can do is try to dissuade Russia from the dangerous path it appears to have chosen.

Chinoiserie

In preventing the abuse of conflicts of interest in financial markets, Chinese walls no doubt have their merits. Whether they provide an adequate safeguard where clients and their advisers are caught in an adversarial context is another matter. The judge in the case brought by Prince Jefri of Brunei against his former accountants, KPMG, was openly sceptical. The question is whether his finding against KPMG in the British courts this week will have wider implications for financial advisory firms.

Prince Jefri had employed KPMG to reconstruct his personal accounts in order to fight a legal case brought against him by former associates. This was settled out of court. He subsequently discovered that KPMG had been appointed to investigate alleged mismanagement at the Brunei Investment Agency, which he used to run. His concern was heightened when it emerged that some KPMG employees who had worked on his affairs were now engaged in an assignment which was likely to damage his interests.

The nature of this potential conflict is very different from, say, the one where an auditor provides audit services to competing companies. Such companies can weigh the conflict inherent in the auditor's position before making a free choice. Prince Jefri had no choice. KPMG's reputation notwithstanding, it is hardly surprising that he was reluctant to accept the firm's assurances that there would be no leakage of information to the investigation.

In granting an injunction to stop KPMG working for the Brunei Investment Agency the judge declared that a former client should not be exposed to the risk of inadvertent, careless or negligent disclosure unless there were powerful reasons. He was unable to see any. In providing forensic services accountants should, he felt, have similar duties to those of solicitors; but the case was complicated by the fact that the terms of KPMG's retainer were kept secret from the court.

This case is clearly unusual and will go to appeal. But among other things it serves to underline the way consolidation among the big accountancy-based advisory firms increases the potential for conflicts. And the further these firms move away from their professional roots in auditing, the more the efficacy of their Chinese walls will be questioned. The limits of self-regulation in this area have been reached.

FT INTERVIEW MICHEL CAMDESSUS

Coming out fighting

The IMF's managing director defends his record to Richard Lambert and Stephen Fidler

Michel Camdessus is in fighting form. "I love your question," he cries. "It's so good to have your criticisms, so that I can refute them."

He is certainly not short of critics. The International Monetary Fund was meant to lead the world away from financial turmoil. Instead, instability has worsened and is developing into what President Bill Clinton said on Monday was the most serious challenge faced by the world economy in 50 years.

Some attack Mr Camdessus for not doing enough to deal with the international financial crisis; others accuse him of trying to do too much. He's been accused of being too rigid in imposing constraints on the economies of troubled countries, and of trying to impose yesterday's solutions on today's problems.

But on one thing, most people are agreed. The contagion that started in east Asia last summer is still spreading and the IMF's efforts to fight it have failed.

Mr Camdessus rejects the charge. As bouncy and confident as ever, the French banker insists that the fund's programmes are working in South Korea and Thailand, which have rebuilt their reserves, cracked inflation and restored their exchange rates to something close to normality. There is a question mark over Indonesia, but that is to do with politics: the IMF programme itself is working well, he argues.

As for Russia, well, the programme was fine: what went wrong was the implementation. And even despite this failure, Russia has made an irreversible move towards a market economy, at what for the West has been a modest cost.

Is this a crisis for global capitalism? Absolutely not. "There is a financial crisis going on in certain parts of the world, but there is also a very powerful unanimity of support behind the basic tenets of capitalism," he says. There is always a chance that some people will seek to close up their economies and slam on controls. "But what is striking is that such a very small number of countries are seeking to go that way."

Indeed, he is confident enough in the underlying health of the world's biggest economies that he rejects proposals for European countries to pump up demand through public spending; rather, he suggests they should keep a tighter rein on their budget deficits.

So how come things today look so much worse than they did in early spring?

Mr Camdessus points his finger firmly at the political leaders of Russia and Japan. He visited Boris Yeltsin earlier this year to warn him that Russia could not rely on monetary policy alone to fight off the Asian contagion. He told him that the country had to deal urgently with its big fiscal imbalances – mainly its failure to collect revenues. It also had to tackle the dramatic weakness of its banking system. And it had to attack cronyism and corruption.

Russia failed to respond adequately, and in the heat of the subsequent crisis it made the dreadful mistake of attempting a confiscatory debt reconstruction – a move that has sent shivers around the financial world.

Then there is Tokyo. "Here also the panorama has changed dramatically," says Mr Camdessus. Far from helping the east Asian countries to recover, the collapsing Japanese economy has dragged back its neighbours.

This combination has had a spectacular effect on the global economy. The IMF is still finalising its figures, but Mr Camdessus acknowledges that the world's economy is likely to grow at only about 2 per cent in 1998, roughly half the level the Fund was predicting a year ago.

"Give me more criticisms! Go ahead!"

Well, how about the charge that the IMF should have restricted itself to its traditional mission – balance of payments, monetary control, and so on – rather than getting stuck into the micro management of national economies?

"Let's imagine we had followed this approach. Today, I would be singing victory," he exclaims. "In the east Asian countries, we have balance of payment surpluses, inflation below target, and exchange rates more or less where they should be, at least in Korea and Thailand.

"But what is clear today is that such measures are not nearly enough to restore sustainable growth. You also need to strengthen the banking sector, to fight corruption and monopolies and deal with other economic inefficiencies."

As for the idea that the IMF has been too rigid, the managing director concedes that in some cases it might have been a few weeks too slow to react to market changes. "But the bottom line is that we have shown flexibility in adapting our programmes, not only to the difficulties that were being experienced by the countries directly but also for the changing climate internationally."

'European finance ministers should consolidate their budget position further'

Yet the collapsing economies of Asia hardly have the ring of a success story. Is he saying that the IMF did not make mistakes – or that the organisation could not have made any difference any way?

"No, no, I do not pretend to be infallible" – and the Fund is analysing the experience to draw some permanent lessons. But Mr Camdessus does not know how things could have turned out better in Asia, in view of the instruments that were in place and the degree of international co-operation that was available to help these countries.

Some of the lessons are already obvious, Mr Camdessus thinks, for the IMF and the international community generally. They include the need for better data on short-term capital flows and central bank reserves, improved standards for auditing and bankruptcy procedures and quicker ways of involving the private sector in crisis prevention and resolution – something which Mr Camdessus says took too long to happen in the case of South Korea.

There are few tools, he argues, to encourage speedy settlement of the large debt overhangs that have been a feature of every financial crisis since Mexico's in late 1994. While there is no "grandiose new scheme" to deal with the issue, a number of ideas are under consideration, he says.

One would authorise the IMF to call a short-term debt freeze to allow debtors and creditors time to negotiate debt reorganisations – a sort of Super Chapter 11 for countries. Another would allow majority voting in bond contracts to make it easier to get agreement for reschedulings among bondholders, any one of which currently has effective veto power over settlements.

The IMF remains committed to capital account liberalisation, albeit in a cautious kind of way, and Mr Camdessus has words of warning for Mahathir Mohamad, Malaysia's prime minister, who has imposed capital controls as part of his bid to shore up the economy.

"I believe he takes risks. Of course he can have short-term, positive results in terms of exchange appreciation, and of some apparent stability. But measures of this kind discourage foreign investors.

"Finally, they lead to isolation, which in a globalised world is not the way to maximise the growth of an economy."

So what about Latin America, which has now moved into the eye of the storm? Wouldn't the global financial system be truly dysfunctional if countries like Argentina – which had done just about everything by the book – were to become embroiled in the crisis?

Mr Camdessus agrees that it would be a bad day if the rest of the world were to let such countries down. "But I believe this is not the central scenario. I believe that more and more the markets will differentiate among countries."

Brazil, for instance, is fighting to ward off the crisis. It has made a big cut in discretionary spending and raised interest rates very significantly.

"They stand ready to do more if the need arises." Mr Camdessus says he is not aware of any international support in the offing for Brazil. "But we would of course stand ready to help if it was at all necessary."

For its part, he says the Fund is not having to ration its money among troubled countries and it has enough resources in hand to do its job – provided "the Congress of the US does its job as invited by the President" and approves the IMF's funding. He goes on: "We continue doing our job, knowing pretty well that if the need arises our membership will help us in order to continue."

Meanwhile, President Clinton and the leaders of the other industrialised countries are on the case, and talk of co-ordinated policy measures to ease the crisis is in the air. Mr Camdessus does not expect interest rates to be cut across the board in a uniform way – that will never happen when the US and Europe are at such different stages in their economic cycles – and he has words of caution for Europe's finance ministers.

He argues they have been very relaxed on the fiscal side, just one year after adopting the stability and growth pact. "I have my objections to that, and I presume that if the world community were to agree on really reducing interest rates further, then the European ministers of finance should start by consolidating their budget position further."

The next few weeks will be a testing time for Mr Camdessus. The financial waves are still battering Latin America, and the annual meeting of the Fund is coming at the end of the month, together with the special meeting called by President Clinton of the Group of 22 leading industrialised and emerging countries.

There is harsher criticism to come. But Mr Camdessus is ready, and well rehearsed.

OBSERVER

Citroën enters its blue period

Is there a bit of one-upmanship going on between France's two big car producers?

Time was, under the stewardship of the inimitable Jacques Calvet, when Peugeot-Citroën had a reputation as a slowcoach in announcing its financial results. But Jean-Martin Folz, the new man at the wheel, has put his foot down and beat arch-rival Renault this month, unveiling a sharp improvement in first-half performance.

Renault's riposte was pretty impressive, though: this week it reported net income of FFr4.44bn - precisely double the Peugeot-Citroën number. This was, says Renault, "pure chance".

Yesterday was Citroën's turn to stage a minor coup – it became the first carmaker to name a model after an artist. The Citroën Picasso people carrier goes on sale next year. The name was chosen because it's familiar around the world and stands for innovation and colour, said Claude Satinet, Citroën's rather grey boss.

He declined to say what had been offered to the artist's estate to induce it to permit use of the moniker. But administrators of other famous artists, let alone musicians and who knows what else, should take note.

If the Picasso proves to be a driveaway success, the Toyota Van Gogh, the Daihatsu Hockney or the Ford Warhol may only be a brushstroke – and a big cheque – away.

No parking

The auto world has been waiting for ages to find out who's going to take over the steering wheel at Suzuki when Osamu Suzuki, the man with the bushiest eyebrows in the business, pulls over to the kerb. It's still waiting.

At yesterday's announcement of the new tie-up with General Motors, Suzuki – who has run the company for 21 years and at 68 has passed official retirement age – was denying any plans to ease into the slow lane.

If a successor were needed soon, the most likely choice would be executive vice-president Masao Toda. But he's no spring chicken either and analysts don't see who would drive the bus in the longer term.

This might be seen as a succession problem. But maybe for GM it's a succession opportunity.

Livid over Lee

Former Singapore prime minister Lee Kuan Yew's memoirs, published yesterday, have provoked outrage in neighbouring Malaysia.

Lee alleges, among other things, that former Malaysian premier Tunku Abdul Rahman wanted to control Singapore through the island state's dependence on Malaysian water, that members of the ruling UMNO party helped instigate the 1964 race riots in Singapore and that Malaysian leaders have tried to corrupt Singapore politicians.

Malaysian premier Mahathir Mohamad has issued an angry denial, and noted that Malaysians had booed Singapore's team at the opening of the Commonwealth Games – evidence that relations were poor even before Lee's book.

A series of spats between the countries have generated calls in Malaysia for the water supply deal to be ended. Offending neighbours is always a risky business – especially if they can turn off the tap.

Rome rage

As European Union transport boss Neil Kinnock tries to bang head together tomorrow over the Italian airport fiasco, one option for a solution has been firmly grounded by Francesco Rutelli, the resolute mayor of Rome.

The EU doesn't like Italy's plan to shift foreign airlines using Milan from cluttered but convenient Linate to expanded but remote Malpensa, leaving Alitalia's Milan-Rome service with a virtual monopoly of Linate.

Malpensa can be translated as "ill thought out" – appropriate given that, even after 13 years planning, there still isn't a decent road or rail link over the 30 miles to Italy's financial capital.

One Italian wheeze to spike the competition complaint was to force Alitalia to operate the hectically busy service out of tiny Ciampino airport near the Eternal City.

Sending 2m airline passengers along the historic, architecturally sensitive and congested Via Appia seemed a high price to pay for saving Malpensa's bacon. It was certainly too much for Rutelli, who has grounded the whole idea.

Spring cleaning

Imagemeisters at Sweden's Left party are going into overdrive as the former communists prepare for a strong showing in Sunday's general election.

The Left hopes to win around 13 per cent of the vote and has its eyes on a role in government. So party functionaries have been told to remove all pictures of Lenin from their offices. The party has attracted droves of disaffected voters who have defected to the party from the ruling Social Democrats, and seeing the old Bolshevik still hanging around at party HQ might have put them off.

The edict came from party secretary Lars Ohly who, in best democratic fashion, hadn't bothered to tell party leader Gudrun Schyman. She was quick to offer her full support. After all, unity is strength.

Financial Times 100 years ago

An Offer That Investors Would Do Well To Avoid

We have on more than one occasion referred to Mr Claude Audoin, a gentleman so benevolent that he spends much time and many circulars in persuading investors for their own good to purchase vendors' shares in what he terms "prosperous commercial and industrial undertakings". His latest philanthropic effort is set forth in a circular offering £1 [20 shillings] fully-paid shares in the Fibrous Petroleum and Oil Fuel Company at nineteen shillings. This, he declares, is a very safe investment.

Yet we recollect that at the time the Company was floated, a prospective investor propounded in our columns some very searching questions as to the utility of the article to be manufactured, and as to the experiments that had been made to determine its suitability. We do not recall seeing any answer to them, though they practically implied that the invention was worthless. A couple of days later a gentleman mentioned in the prospectus as a Director repudiated any connection with the Company. We suggest that Mr Audoin alone should be left to enjoy the profit from his shares.

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THE LEX COLUMN

Backyard blues

With the global financial crisis spreading to their Latin American backyard, it is no wonder US policymakers like Robert Rubin, Treasury secretary, and Alan Greenspan, Federal Reserve chairman, are suddenly paying attention.

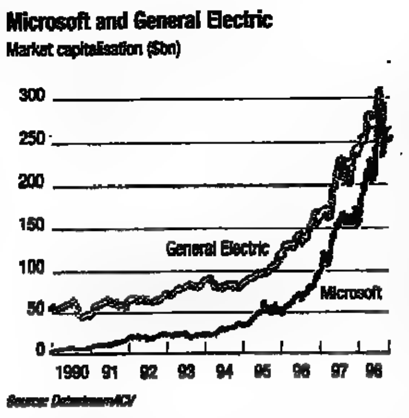
With good reason. By almost any measure, the US economy is more exposed to Latin America than to Asia or Russia. Latin America accounts for 18 per cent of US exports, against 17 per cent for Asia (excluding Japan), and $20bn of foreign direct investment against $15bn. Around 12 per cent of US companies' foreign profits come from the region, almost twice as much as from Asia's Tigers. And while European banks took the lead in lending to Russia and much of the Far East, US banks dominate south of the border. Their total cross-border exposure to Latin America, including loans, securities and derivatives, amounted to $79bn as of March, compared with $51bn to Asia and less than $7bn to Russia.

While that all sounds worrying, Latin America is not yet in anything like as much trouble as Asia or Russia. Local economies are slowing and so are US imports, but Brazil and Argentina are still recording positive gross domestic product numbers, while Chile should grow 3-4 per cent in 1998. The US banks' exposure looks big, but is largely through straight lending and trade finance rather than trading. And if the crisis deepens, it will only increase the pressure on the US to organise a rescue.

Japan

Another upward ratchet in Japan's forecast bad loan problem is hardly surprising. With the economy still in reverse and little capital to write the bad loans off against, it could hardly be otherwise. Still, the numbers are no less depressing, especially when set against the continuing political impasse over bank restructuring.

Dealing with the crippled Long Term Credit Bank of Japan was supposed to set the tone for the government's handling of the systemic bank crisis. But the opposition's hostility to the use of public funds to rescue LTCB has held things up. In as much as this has encouraged resistance to the wider use of public funds in tidying up Japan's banking mess, it has done the country a disservice. There is no way out of the current quandary without using public funds.



Keizo Obuchi's government must bear the brunt of the blame. Feeble protestations about LTCB's solvency have been fatally undermined by lack of disclosure and a whiff of cronyism. The opposition has been right to call for greater disclosure and a bank supervision agency independent of the ministry of finance. Right now it has the upper hand, with Mr Obuchi under strong pressure to nationalise LTCB. Given the government's previous steadfast insistance that LTCB was solvent, this could be a terminally damaging political *volte face*. Incredibly, when he meets President Bill Clinton next week, Mr Obuchi may be the weaker party.

Microsoft

It was probably inevitable: Microsoft is now the world's most valuable company. Although down from their recent highs, the group's shares have still risen by two-thirds in 1998 and this week its market capitalisation, now $266bn, crept past General Electric's $263bn. Since Microsoft generates only 15 per cent of GE's revenues and 60 per cent of its profits, this is an apt reflection of the ascendancy intellectual property and brainpower has gained over manufacturing brawn in today's economy.

Of course, Microsoft's rating is rich by conventional standards. At 44 times 1999 earnings, and with earnings growth of perhaps 20 per cent next year, the stock is trading at 2.2 times its growth rate. This compares with around 1.2 times for the software sector. But investors have few credible alternatives. Until the next great thing in software comes along, they will continue to flock to Microsoft's visible earnings, fat margins and dependable growth – particularly in uncertain times.

The thorn in this rosy scenario is the impending antitrust trial, which Wall Street seems determined to ignore. Of course, Microsoft may emerge from this largely unscathed. But the group's quasi-monopolistic returns depend to a large extent on it continuing to integrate new features into its software applications. This is exactly the ability the Justice Department is trying to remove.

Lonrho Africa

As storms rage in other emerging markets, Africa for once appears a relatively safe port. Since the start of the year, the Flemings Africa index (including South Africa) has outperformed the IFCI's composite index by 28 per cent. And, as shown by yesterday's move on Lonrho Africa – a rum collection of non-mining businesses demerged from Lonrho in May – there is still some investor appetite for fresh emerging market risk. There is still plenty of cash looking to squeeze value from restructuring plays and harvest the fruits of African liberalisation and privatisation.

Blakeney Management, an African fund management house, and its concert partner, African Lakes – part-owned by funds controlled by George Soros – are a case in point. By snapping up around 6 per cent of Lonrho Africa's shares in the market they are in a strong position to force change or threaten hostilities. However, their wish to impose three non-executive directors on the company seems a little gung-ho. Taken to extremes, such logic implies monstrous boards with 50-odd non-executives.

Still, with Lonrho Africa's shares trading some 40-50 per cent below most break-up valuations, there is lots of value to be released and few can match Blakeney's experience in the long grass of Africa. For a group with just £42m ($69.3m) in operating profits in 1997 to attempt a mini-conglomerate structure with five unrelated legs is rash. Focusing on the jewels and selling the tat is the right way to go.

Brussels fines shipping companies a record $298m

Groups accused of abusing position and operating price-fixing cartel

By Neil Buckley in Strasbourg and Charles Batchelor in London

The European Commission yesterday imposed record fines totalling Ecu273m ($298m) on 15 of the world's largest shipping lines, which dominate container trade across the North Atlantic.

The Commission – the European Union's Brussels-based executive – said the lines had abused their dominance of the market and operated a price-fixing cartel.

The fines on the members of the so-called Trans-Atlantic Conference Agreement (Taca) beat the previous record total of Ecu248m imposed on a cement-making cartel in 1995. The Commission's largest individual fine, Ecu102m, was imposed this yeara-gainst Volkswagen, the German carmaker, for competition abuses.

The Amsterdam-based Taca said it would appeal against the fines to the European Court of Justice, accusing the Commission of "numerous errors of fact, procedure and law".

Most of the 15 companies were fined between Ecu6.88m and Ecu27.5m, but P&O Nedlloyd, the Anglo-Dutch container line, must pay Ecu41.26m, reflecting the fact that many of the abuses took place before P&O and Nedlloyd tie-up.

Lord Sterling, P&O chairman, joint partner in P&O Nedlloyd, said yesterday: "We were very close to agreement with the Commission on how the whole thing could be settled. I find it disappointing that fines of this magnitude have been levied on issues from the past."

The fines arose following a complaint by the European Shippers Council – which represents companies exporting goods – that between 1993 and 1995, Taca and the Trans-Atlantic Agreement, Taca's predecessor, were able to impose price rises of more than 80 per cent. The US Federal Maritime Commission estimated price increases announced by Taca for 1995 would have cost shippers $65m-$75m more than they paid in 1994.

Shippers welcomed the decision yesterday – though even they said the level of fines appeared harsh.

The fines are the latest episode in a long-running stand-off between the Commission and shipping lines.

The Trans-Atlantic Agreement was prohibited by the European Commission as anti-competitive in 1994. In the same year, Taca members asked Karel Van Miert, EU competition commissioner, for exemption from an EU ban on cartel agreements, under special EU rules for shipping conferences.

But Mr Van Miert found that only price-fixing arrangements on transport between northern Europe and the US could be exempted.

Three other types of price-fixing on inland transport services and prices paid to freight forwarders, as well as agreements on the terms and conditions of service contracts, breached the EU's anti-cartel law.

Other companies fined yesterday were Maersk of Denmark, Sea-Land of the US, OOCL of Hong Kong, NYK of Japan, Hanjin, Hyundai and Cho Yang of Korea, MSC of Switzerland, Hapag Lloyd of Germany and the German-Korean DSR/Senator, Singapore's NOL, Mexico's TMM/Tecomar, Sweden's ACL, and POL of Poland.

Japanese banks' bad debts 'may be equivalent to 30% of GDP'

By Paul Abrahams and Michiyo Nakamoto in Tokyo

Standard & Poor's, the US ratings agency, yesterday warned that problem loans in the Japanese banking system could be equivalent to as much as 30 per cent of the country's gross domestic product – nearly twice official estimates.

The agency said the banks' bad debts could be as high as Y151,370bn ($1,122bn) compared with the Japanese government's figure of Y87,000bn.

The warning underlines the severity of the debt crisis that is threatening to overwhelm Japan's financial system, and will add to pressure on the government to implement measures to solve the problem. Legislation aimed at helping the banking sector deal with problem loans is stalled in parliament.

The banks are facing huge losses caused by excessive lending in the 1980s and a collapse in clients' cash-flow, hit by the worst recession in 50 years. In addition, with the Nikkei average of 225 leading Japanese stocks at just 14,197, most of the banks will probably also have to declare further substantial losses on equity holdings in their interim results to September 30.

The deterioration in the banks' financial strength was highlighted by yesterday's decision by S&P to downgrade the outlook of Dai-Ichi Kangyo, Industrial Bank of Japan, Sanwa Bank and Fuji Bank from "stable" to "negative". Separately, Moody's, another ratings agency, put the ratings of Dai-Ichi Kangyo, Mitsubishi Trust and Toyo Trust on review for possible downgrade.

High-ranking US officials in Tokyo urged the Japanese government to try to reach a deal with the opposition and speed up implementation of the critical banking legislation. However, the political debate remained deadlocked as the opposition continued to reject proposals from the ruling Liberal Democratic party on what to do about ailing Long-Term Credit Bank of Japan.

Naoto Kan, head of the Democratic party, the main opposition group, warned that it was time for the LDP to make a final, political decision on the banking bill. Most of the opposition, which controls a majority in the upper house of parliament, is against the use of public funds to prop up LTCB, whose shares ended 34 per cent down yesterday at a record low of just Y25.

The LDP offered a further concession to opposition demands that banks facing imminent insolvency should be closed, by proposing that LTCB could be nationalised.

Meanwhile, Masaru Hayami, Bank of Japan governor, claimed the central bank could extend a special loan to LTCB. This, he insisted, was possible in certain cases under existing legislation.

See Lex

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Students at Tehran University voice support for Iran's leaders over the military build-up along the border with Afghanistan. Page 4 Picture: AP

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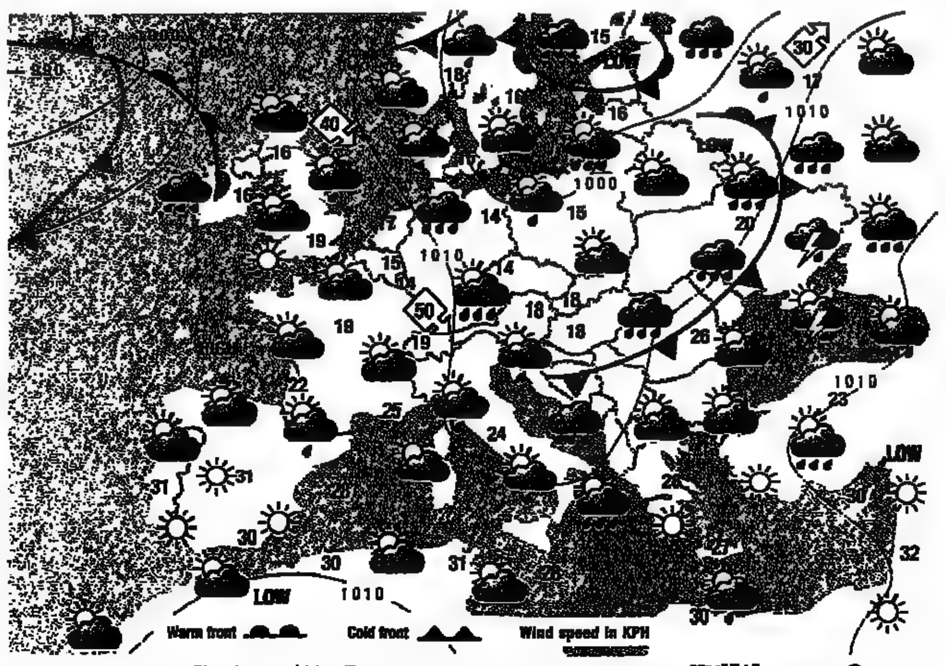
FT WEATHER GUIDE

Europe today

Much of Scandinavia will be cloudy and wet but there will be sunny spells and showers in the south. Eastern Europe will have rain or showers as low pressure persists. Central Europe will also have rain or showers and will be cool. France will have good spells of sunshine, with a few showers in the mountains. The Iberian Peninsula will be warm and sunny with the odd shower in the north. The central Mediterranean will have showers, some thundery. Southern Greece will be sunny and warm.

Five-day forecast

Scandinavia will have sunny spells and showers but steadier rain will move in on Sunday. Western Europe will become sunny and warm over the weekend but there will be overnight fog and thunderstorms in southern Spain on Sunday. The Eastern Mediterranean will have thundery showers but Italy will be dry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	37
Accra	Fair	27
Algiers	Sun	30
Amsterdam	Rain	16
Athens	Fair	28
Atlanta	Fair	30
B. Aires	Shower	17
B.ham	Fair	17
Bangkok	Thunder	34
Barcelona	Sun	26
Beijing	Sun	29
Belfast	Rain	16
Belgrade	Thunder	19
Berlin	Shower	15
Bermuda	Shower	30
Bogota	Cloudy	18
Bombay	Cloudy	32
Brussels	Shower	15
Budapest	Rain	18
C.hagen	Shower	15
Cairo	Sun	33
Caracas	Fair	31
Cardiff	Fair	19
Casablanca	Fair	26
Chicago	Shower	25
Cologne	Rain	16
Dakar	Fair	31
Dallas	Thunder	31
Delhi	Thunder	28
Dubai	Sun	40
Dublin	Rain	16
Dubrovnik	Shower	22
Edinburgh	Rain	17
Faro	Sun	28
Frankfurt	Rain	16
Geneva	Shower	19
Gibraltar	Sun	26
Glasgow	Shower	18
Hamburg	Shower	16
Helsinki	Rain	15
Hong Kong	Fair	31
Honolulu	Fair	32
Istanbul	Sun	25
Jakarta	Fair	33
Jersey	Fair	18
Johannesburg	Fair	22
Karachi	Sun	36
Kuwait	Sun	45
L. Angeles	Fair	24
Las Palmas	Fair	27
Lima	Cloudy	20
Lisbon	Sun	31
London	Fair	19
Lux.bourg	Rain	14
Lyon	Fair	20
Madeira	Sun	27
Madrid	Sun	31
Majorca	Fair	28
Malta	Fair	28
Manchester	Fair	17
Manila	Shower	31
Melbourne	Sun	19
Mexico City	Fair	22
Miami	Thunder	33
Milan	Fair	26
Montreal	Fair	23
Moscow	Shower	17
Munich	Rain	14
Nairobi	Fair	27
Naples	Shower	26
Nassau	Cloudy	33
New York	Shower	26
Nice	Sun	25
Nicosia	Sun	31
Oslo	Shower	17
Paris	Cloudy	19
Perth	Shower	16
Prague	Shower	14
Rangoon	Fair	32
Reykjavik	Fair	11
Rio	Fair	24
Rome	Shower	24
S. Frsco	Fair	21
Seoul	Sun	30
Singapore	Thunder	30
Stockholm	Shower	16
Strasbourg	Rain	18
Sydney	Fair	22
Tangier	Fair	29
Tel Aviv	Sun	32
Tokyo	Shower	27
Toronto	Fair	25
Vancouver	Shower	19
Venice	Shower	23
Vienna	Shower	16
Warsaw	Rain	15
Washington	Shower	29
Wellington	Fair	13
Winnipeg	Shower	26
Zurich	Shower	17

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FINANCIAL TIMES
COMPANIES & MARKETS
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THURSDAY SEPTEMBER 17 1998
Week 38

INSIDE

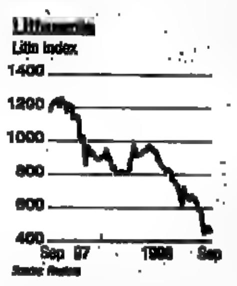
EMI withdraws from contest for PolyGram's film division

EMI, the UK music group, has decided against bidding for PolyGram Filmed Entertainment, Europe's largest film producer and distributor, on the eve of the final deadline. PFE, which has backed box office hits including *Trainspotting* and *Bean*, went up for sale in May after Seagram, the Canadian entertainment company, bid $10.4bn for PolyGram. Page 22

Outlook for sugar less than sweet

With sugar prices at around 10-year lows, Russia's economic woes and currency devaluations among producing countries have hit the global market. The sector is plagued by oversupply, compounded by favourable weather in sugar growing regions and the fact that markets such as India and China are approaching self-sufficiency. Page 28

Russian crisis hits Lithuania



The Lithuanian bourse has fallen to unprecedented lows following the Russian debt default and the turmoil in other emerging markets. So far, Lithuanian banks, heavily weighted in the Litin index, do not appear to have lost much money in the de facto default on Russian government debt. But their loans to companies exporting heavily to Russia could be substantial. About 24.6 per cent of Lithuania's exports go to Russia, and several companies have said they will be hit by the economic crisis. Page 38

Banks at odds over euro payments

Across many segments of the market, financial institutions preparing for monetary union have been working together to try to make sure nothing goes wrong. But in the payments business, where the euro will bring dramatic changes, competition is furious, not just between banks but also between different payments systems. Business and the euro; Page 25

Property stocks lift Singapore

Strong demand for property shares sent Singapore ahead almost 5 per cent, with the benchmark Straits Times index closing up 44.47 at 946.75. The sector surged after another of the big four banks cut its prime rate by a quarter of a percentage point to 7.5 per cent. Page 38

Coffee looks for new markets

The coffee industry is planning to repeat this year's promotional campaign in Russia and China next year. In China, the International Coffee Organisation found that consumers believed coffee "keeps you awake at night, heats the blood and is bad for the skin", but believed strongly in the beneficial effects of tea. Page 28

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MARKET STATISTICS

EUROPE'S BIGGEST RETAILER WILL BUY OUT MAKRO CASH-AND-CARRY CHAIN FROM SWISS-BASED PARENT COMPANY

Metro launches $2.7bn shake-up

By Graham Bowley in Frankfurt

Metro, Europe's biggest retailing group, yesterday launched a DM5bn ($2.7bn) reorganisation to simplify the structure of its supermarket and shopping empire and boost earnings.

The move is intended to sharpen the German company's appeal to stock market investors, and signals its intention to build a powerful Europe-wide retailing business. Metro said it would pay for the restructuring with a capital increase – expected to be worth around DM5bn – later this year.

The reorganisation will simplify the group's cross-ownership structure with Metro Holding, its secretive Swiss-based parent company. Cologne-based Metro AG is to pay about DM5bn to Metro Holding to take full control of the jointly-owned Makro cash-and-carry chain.

These supermarkets, which stretch across western and eastern Europe including France, Italy, UK, Poland and the Czech Republic, were acquired fully by the Metro group last year for DM4.8bn from its long-standing partner SHV, the Dutch group. Metro Holding continued to hold a stake in the chain.

Metro AG will also take full control of other jointly-owned satellite wholesale and trading service companies in the US, Mexico and Europe. "This is an important step to improve the trust of the stock market and the transparency of the company," Metro said.

The move will boost transparency for investors as Metro AG, which will now receive full profits from the cash-and-carry businesses, is listed on several stock exchanges, including Frankfurt. Metro Holding, which owns 55 per cent of Metro AG, is not listed.

Under Klaus Wiegandt, who took over as sole chief executive after a boardroom reshuffle early this year, Metro has embarked on ambitious international expansion, spurred partly by the saturation and stagnation of its German domestic market. It had sales last year of DM64.1bn and net profits of DM623m.

The Makro acquisition has strengthened Metro's position across Europe and thrown down a direct challenge to other European retailers. It has since made other smaller acquisitions within Germany, including the Allkauf hypermarket group, and the Kriegbaum retailing group.

At the end of last year Metro warned of a consolidation in the European retailing sector under pressure from increased competition and sluggish consumer demand. The warning coincided with the entry of Wal-Mart, the world's biggest retailer, into the European retail market when it agreed to buy Germany's Wertkauf hypermarket chain.

Metro is itself a product of consolidation in Germany. It was formed in 1996 by the merger of the cash-and-carry, department store and supermarket interests of the Metro, Kaufhof and Asko groups. The original Metro group was founded in 1967. Metro Holding, which remains Metro's single biggest investor, is controlled by three families.

America's corporate bottom line starts to show the strain

Reporting season looks like being shot through with profit warnings, writes **Richard Waters**

The collateral damage to corporate America's bottom line from the financial implosion in the world's emerging markets is starting to show. And, with domestic product markets in the US only just beginning to reflect the effects of the economic malaise elsewhere, it could get much worse – putting a lid on any revival in the stock market.

Evidence of the impact has spread in recent days. Leisure and entertainment companies Hilton Hotels and Walt Disney, farm equipment makers Case and John Deere and a number of large financial institutions have all warned that their profits for the third quarter will fall short of expectations.

It is still three weeks before the earnings reporting season gets into full swing: with so many announcements coming this early, the bad news could even equal the record number of profit warnings of the second quarter, says Chuck Hill, director of research at First Call.

Asia has remained the number one culprit, according to a number of companies. The impact of a slowdown in Latin America, which provides an even bigger slice of US corporate profits, will not be felt until later quarters. Domestic labour strife at General Motors and Northwest Airlines have added to the problems.

To be sure, there is a certain amount of double-speak going on. In the era of corporate triumphalism that may now be drawing to an end, chief executives have sought to outdo each other in their bullish predictions. A more sombre mood has descended and the corporate profits glass, once half-full, is now seen as half-empty.

However, there are clear signs of the economic malaise from overseas creeping across the American corporate heartland. Once isolated to a handful of industries, the profit slowdown has spread in recent weeks to companies whose fortunes are only indirectly tied to Asia or Latin America.

Commodity-based industries were the first to feel the pinch this year. Those involved in energy or basic materials like steel and chemicals saw Asian demand for their products evaporate: this summer, they also began to feel the impact of cheaper Asian imports attacking their domestic markets. Nucor, the steel producer which generally leads pricing in the US market, last week slashed prices on its flat-rolled steel in an attempt to counter Asian imports that had just reached American shores.

With the third quarter of the corporate calendar closing at the end of September, new industries are being dragged into the melee.

The biggest financial services groups, which had continued to notch up profit records in the first half of the year, have taken a pounding in financial markets. Also, companies which are dependent on the health of commodity industries have begun to stumble. They include Harnishfeger, maker of paper-making equipment, and Case and John Deere, suppliers of agricultural machinery.

This spreading problem has delivered a double-whammy to the stock market. Besides forcing investors – and stock market analysts – to face the reality of slowing earnings, it has also put a spotlight on overly optimistic expectations of long term profit growth.

This is something that Alan Greenspan, chairman of the Federal Reserve, has warned of for some time. US corporate earnings grew at between 16 and 23 per cent a year in the mid-1990s before a slowdown set in: they increased 8.4 per cent in 1996 and 11 per cent last year. For such rates of growth to be sustained corporate profits would have to account for a larger slice of the American economic pie – something that seems unlikely, given their historically high share at present.

The adjustment in expectations still has some way to go. Wall Street analysts have cut their forecasts for the third quarter and now expect earnings for companies in the Standard & Poor's 500 to grow only 0.5 per cent for the period, compared with the 10 per cent they expected two months ago.

However, Wall Street is still expecting corporate profits to bounce back and climb by 11 per cent in the final three months of this year, according to Mr Hill – followed by increases of 15 per cent and 20 per cent in the first two quarters of 1999. Short of a miraculous recovery in the emerging markets, it is hard to see how such expectations can be met.

Host Marriot forecast, Page 19

GM raises its stake in Suzuki to 10%

By Alexandra Harney in Tokyo

General Motors, the world's second largest carmaker, is lifting its stake in Suzuki Motors, the Japanese car and motorcycle group, from 3.3 per cent to 10 per cent in an attempt to expand its presence in the compact and mini-car markets, particularly in Asia.

The US group's investment of Y42.3bn ($315m) will make it Suzuki's largest single shareholder.

The two groups are considering developing new compact cars aimed at markets in China and south-east Asia, including a farm utility vehicle and a small-engine car for urban use, said Jack Smith, GM chairman. He declined to comment on a target roll-out date for the new models.

Suzuki specialises in development and production of smaller cars and mini-cars, which are compact vehicles equipped with 660cc engines. "The developing world is clamouring for even more models than we already offer ... and the small and mini-car market was an area where we felt vulnerable," he said.

It was unclear whether the groups were planning new facilities as part of the enhanced alliance. Suzuki said there was no need to build a new plant, but GM said it would not rule out that possibility.

The agreement will also enhance the groups' existing technological and production alliances. In May, Suzuki and GM agreed to join to develop a new mini-car for the European market. They already manufacture and assemble small cars in South America and Canada through CAMI Automotive, their joint venture.

Suzuki would not take an equity stake in GM as part of the alliance, said Osamu Suzuki, Suzuki president, and no GM executives would join Suzuki's board.

GM is raising its stake through Suzuki issuing 33.6m new shares in a third-party share allotment in November. GM will buy the shares at a 1.5 per cent premium to the close the day before the deal was announced. It is paying Y1,258 per share.

Mr Suzuki said yesterday's deal would make the two groups "equal partners to work on an equal basis".

Welcome boost, Page 18
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Handyphone joint venture to cost NTT DoCoMo $3bn

By Paul Abrahams in Tokyo

NTT DoCoMo, the world's largest mobile telecommunications operator, expects the cost of buying out its partners in its personal handyphone service business and the losses generated by the operations to reach Y400bn ($3.05bn) this year.

DoCoMo's handyphone operation, known as NTT Personal Group, has become one of the biggest concerns for prospective investors in the mobile telecoms operator's initial public offering. Expected to raise about $15bn next month, the IPO is one of the largest global issues this year.

DoCoMo owns 48 per cent of NTT Personal Group, while NTT, its parent, controls 28 per cent.

However, in May the other shareholders in the handyphone arm, which include Itochu and Marubeni, the trading houses, and Cable & Wireless of the UK, decided to sell their stakes to DoCoMo and NTT for an as yet undecided sum.

After the deal is completed DoCoMo and NTT will own 63 per cent and 37 per cent of the business.

NTT Personal Group has never made a profit in its three years of operations. The handyphone operation, which was supposed to find a niche as a limited range and low-cost mobile telecommunications service, has been disappointing because it offered poor communication in buildings and on the move, while the cost of wider-range cellular telephony was falling.

The handyphone operation has posted cumulative losses of Y229bn in the past three years. Analysts estimate it will lose more than Y80bn this year and nearly Y60bn next year.

It is unclear what the impact of handyphone will be on DoCoMo's earnings: last year DoCoMo saw earnings before interest, taxes, depreciation and amortisation of Y816bn.

The chances of DoCoMo's handyphone operation making a profit are remote. The number of subscribers using it has fallen for the past 10 months as users switched to cellular telephones using global system for mobile telephony – GSM – the industry standard.

Analysts believe the market could shrink 6 per cent this year. At the end of the last financial year, NTT Personal Group's liabilities exceeded its assets by Y198bn. Its assets at that time were Y217bn.

Upheaval predicted for buy-outs

By Clay Harris, Banking Correspondent

The financial turmoil sparked by Russia has put a "TNT bomb" under some elements of the buy-out market, according to the man who has led a transformation of takeover finance techniques in the UK.

Guy Hands, managing director of Nomura International's principal finance group, said yesterday he expected lower prices and big changes in the structure of deals and the duration of investments.

Managers would stand to make less profit, but would also be asked to take less risk themselves. "You'll get less rich, less quick but there will be less downside," he said.

In less than four years, Mr Hands has overseen the investment of $15bn on a diversified portfolio of assets and expanded the frontiers of asset securitisation in the UK.

Nomura has made big profits on buying and selling Angel Trains, the railway leasing company, and AT&T Capital Equity, another leasing group. It owns William Hill betting shops, the Thorn consumer electronics rental chain, more than 4,000 pubs, and 57,000 homes bought from the UK's Ministry of Defence.

Future transactions would require much more equity because banks were less willing and able to lend money, he said.

Deals which would have had 85 per cent leverage were now being discussed at 60 per cent, and those formerly at 70 per cent were being reduced to 50 per cent.

As a result, prices would be lower than many sellers were expecting.

Nomura itself was taking a longer view on its current investments and felt under no pressure to conclude new deals. "To do takeovers, one has to choose businesses very carefully where one can add substantial operating value. To do deals based on financial engineering in the current environment is frankly insane."

Financial buyers were more likely to act with industrial partners in sectors such as energy, where "the combination is ideal, the only question is one of price".

PROPERTY FALL IN NET PROFITS BLAMED ON ECONOMIC TURMOIL AND RECESSION IN TERRITORY

Hongkong Land sees 18% decline

By Louise Lucas in Hong Kong

Hongkong Land, one of the territory's biggest landlords, yesterday reported an 18 per cent decline in net profits, from US$206.4m to US$168.9m, as the Asian economic turmoil and recession in Hong Kong took their toll.

The group also made provisions of $30m against certain property trading investments and an Indonesian toll road.

Hong Kong's first reporting season of the year has been marked by declining profits and hefty provisions, with the property market taking one of the biggest hits.

Prices are around half the levels achieved at the height of the bull market last June, and Hongkong Land said it remained "cautious" and would not rush into new investments.

Profits were at the lower end of analysts' expectations, reflecting reduced occupancy rates and lower rents at investment properties.

The bulk of the group's properties are located in the prime business district of Central and many clients, such as investment banks and retailers, have cut back because of the weaker business outlook.

This, in addition to the fall in capital prices, has put pressure on rents and in some cases forced landlords to renegotiate contracts mid-lease.

"Operating conditions are pretty tough in the office and retail sector," said Ian Durant, finance director.

However, he added that the office vacancy rate was an acceptable 4 per cent, although the oncoming supply could push this higher.

The full effect of falling rents will not be felt this year, as the company works on a three-year cycle.

In the retail sector, where several groups have quit Hong Kong or reduced their presence, occupancy has fallen to 93 per cent.

Hongkong Land did not revalue its property portfolio at the halfway stage, but believes its value has fallen by 35 per cent since the beginning of the year, in line with the Grade-A market in Hong Kong. It says further decline is likely.

The group pointed to its strong balance sheet – with cash of over $1.3bn and net borrowings of $450m – but Mr Durant said the group would be cautious about spending in the current environment.

Hongkong Land continues to develop office and other building projects, and is set to refurbish one of its Central retail blocks and completely rebuild an adjacent office and retail block.

Earnings per share fell 15 per cent, from 7.85 cents to 6.68 cents. The dividend is held at 3.50 cents.

GM-Suzuki alliance a welcome boost for Asia car industry

Yesterday's deal comes as other groups are considering their positions in the region, writes **Alexandra Harney**

The strategic alliance agreed yesterday between General Motors, the US conglomerate, and Suzuki Motors, the Japanese car maker, is a hopeful sign in dreary times for the Asian automotive industry.

It was not the last-minute rescue of an ailing Japanese carmaker's loss-making division, but a significant investment in Asia by the world's second largest carmaker at a time when other global car groups are considering their positions in the region. Last week, Ford Motors, the US carmaker, withdrew from bidding for control of Kia Motors, the bankrupt Korean group, because of the company's huge debts.

GM's decision to inject more than Y42.3bn ($315m) into Suzuki, aimed at the burgeoning market for compact and mini-cars in Asia, has long-term implications for both groups. Although the slump in demand from the region will hurt sales initially, analysts say the deal brings together two companies with complementary operational and marketing strengths at a time when global alliances have become a necessity in the industry.

"Suzuki needed a big brother somewhere. They couldn't rely on any other Japanese auto maker, and given the long relationship between the two companies, it just seemed like a natural fit," says Peter Boardman, industry analyst at Warburg Dillon Read in Tokyo.

Suzuki, which recorded Y9.53bn in net earnings on turnover of Y1,179bn last year, insists the move was not prompted by financial hardship. Discussions began after Daimler-Benz's deal with Chrysler earlier this year, the two companies say.

The deal builds on existing joint ventures and tie-ups in Europe, South America and Canada, but leaves Suzuki's management untouched. Even though GM will become the Japanese company's largest shareholder, it chose not to send any executives to join the Suzuki board.

Also, Suzuki will not become a member of the GM group, which includes Opel, the German concern, Saab of Sweden, and Holden, based in Australia. Isuzu, the Japanese car and truck manufacturer of which GM owns 37.4 per cent, also has a tie-up with the US company to build diesel engines.

According to analysts, these decisions will allow Suzuki greater leverage in the deal and give it a stronger foothold in markets outside Asia, such as Europe and South America, where it is still weak.

In agreement: John Smith (right), GM chairman, and Osmau Suzuki talking yesterday Reuters

For its part, GM will obtain access to Suzuki's expertise in small vehicles and mini-cars, which have an engine capacity of 660cc. Suzuki, which holds 33 per cent of the Japanese mini-car market, markets similar models in Indonesia, China and India.

Yesterday's deal will strengthen GM's position in Asia, where it is said to be mulling the purchase of a stake in Daewoo, the Korean carmaker. It already sells its Opel cars in Thailand and cars under the Holden label in Australia. GM yesterday said it was keen to expand its alliances with groups in the region, but stressed that Suzuki, whose operating costs are much lower than those of GM, would be its most important local partner.

"We are, we have been, and we will continue to consider one-off arrangements when it makes business sense," said Jack Smith, GM president. The group aims ultimately to double its sales in Asia, from 5 per cent of turnover to 10 per cent.

In the short term, the deal could be negative for cash-rich Suzuki, as the share allotment will dilute earnings per share by 7.5 per cent. The group's shares rose 6 per cent on early reports of the deal, but closed down Y2 at Y1,238 after details of the alliance were announced.

Suzuki, which expects a 2 per cent drop in sales this year as a result of the domestic economic downturn, has Y150bn in cash and deposits.

The deal's benefits will be slow to accrue. The two groups have just started talks on two models for the Asian market – a light farm vehicle and an urban commuting car – which could take several years to develop. With sales plunging in Asia – GM estimates the car industry's turnover in Indonesia fell 70 per cent last year as a result of the country's financial crisis – it could be a long time before the venture turns profitable.

However, when the smoke clears in Asia, the two groups will be in a strong position to take advantage of the market's latent possibilities.

Dairy Farms doubles at halfway

By Louise Lucas

Dairy Farm, the international retailing arm of the Jardine group, yesterday reported net profits of US$86.8m for the six months to June 30, more than double the $39.9m achieved at the same stage last year.

The results, which were in line with expectations, were boosted by a $38m net gain from the disposal of European supermarket interests: Somerfield/Kwik Save in the UK and Simago in Spain.

Simon Keswick, chairman, indicated that more acquisitions could follow the disposals – although focusing more firmly on the Asia Pacific region which is the Jardine group's traditional home base.

"With our strong balance sheet, the group is well-placed to take advantage of new investment opportunities in the more difficult economic conditions in Asia Pacific," he said.

Dairy Farm has already made a start on acquisitions, paying $36.4m for a 32 per cent stake in one of Indonesia's largest supermarket groups, Hero Group, earlier this year – shortly before Indonesia's financial crisis became political and mobs took to the street, looting and burning shops.

Yesterday Dairy Farm said the social unrest had not impacted performance at Hero.

Dairy Farm saw strong interim performances from its main retail businesses in Australia, Hong Kong and New Zealand. However, this was partly offset by adverse exchange rate movements, higher corporate overheads and a reduced contribution from Maxims, a fast food restaurant operation.

The underlying performance shows Dairy Farm finally shrugging off many of the problems that plagued it in the past: the sale of Simago removes the long running losses from Spain, and Franklins, the Australian supermarket, is performing strongly after the restructuring and change of focus on to fresh produce.

Earnings per share more than doubled, from 2.26 cents to 4.74 cents. However, earnings per share from continuing activities rose more modestly, from 2.51 to 2.57. The dividend is to be held flat at 1.65 cents.

NEWS DIGEST

INVESTMENT BANKING

Warburg Dillon Read to shed jobs in Asia

Warburg Dillon Read yesterday became the latest investment bank to announce lay-offs in the Asia-Pacific region. The European investment bank is to cut 40 jobs from its 320-strong Asian equities research and sales team. Warburg Dillon Read said the redundancies were partly due to a post-merger review of the integration with UBS and partly because of market conditions in Asia. Stock markets throughout the region remain weak and volatile, keeping turnover thin and primary market activity to a minimum. The resulting depressed income has prompted several investment banks and stockbrokers to lay off staff. Yesterday Nikko Securities (Asia) confirmed it had shed 30 jobs, and a further 10 at Nikko Research Centre in Hong Kong.

More cuts are expected to follow in the Singapore office. Warburg Dillon Read said the job losses would not affect its capabilities and stressed it remained committed to the region. **Louise Lucas, Hong Kong**

OIL

Pertamina sees end to revamp

Pertamina, the Indonesian state oil company, will complete its restructuring by next April, according to Soegianto, president. He said restructuring of the refining units would be completed by October, while the exploration and production units and the domestic retail marketing units would be reorganised by April. Samto Utomo, Pertamina's processing director, said last month that the company was turning its refineries into strategic business units to become profit centres.

Mr Soegianto said yesterday the idea of strategic business units would be extended into the exploration and production divisions as well as the domestic retail market. Pertamina owns all nine refineries in Indonesia, which have a total capacity of about 1.05m barrels a day. It also has a monopoly over the retail market.

There are plans to open up the downstream sector, but Kuntoro Mangkusubroto, oil minister, had said that initially only companies with refining capacity in Indonesia would be granted access to the retail market.
Reuters, Singapore

SOUTH KOREA

Bank to merge with subsidiary

Korea Exchange Bank said it would merge with its subsidiary Korea International Merchant Bank within the year, as part of a plan to restructure its subsidiaries. Korea Exchange said it expected its total assets to rise to Won63,000bn ($45.6bn), and that it would be able to provide universal banking services, after the merger. Under the restructuring, Korea Exchange will shut its research institute and merge KEB Credit Service and KEB Finance. It also said it would maintain the operations of its other units, including leasing, investment-trust management and futures. **AFX-Asia, Seoul**

HOTELS

Jardine arm slides 72%

Declining travel and tourism in Asia cut interim net profits at Mandarin Oriental International, the hotels arm of the Jardine group, by 72 per cent, from US$33.9m to US$9.6m. The dividend has also been cut, by 70 per cent, from 1.65 cents to 0.50 cents. Given the low share price, shareholders will not be offered a scrip alternative.

The poor performance was attributed to a dearth of travel and tourism, largely a result of the Asian financial crisis. In Hong Kong, where the group has two hotels, its share of the dwindling market increased. Devalued currencies and weak markets hit subsidiaries in Indonesia and the Philippines, although Mandarin Oriental Manila increased its profits thanks to cost controls.

The group said it suffered "significant falls" in profit contributions from its hotels in Singapore and Macao, which it also attributed to ailing travel markets.

Earnings per share fell 72 per cent, from 4.87 cents to 1.36 cents. **Louise Lucas, Hong Kong**

AIRLINES

Garuda wins debt agreement

Robby Djohan, president of Garuda Indonesia, the state-owned airline, said Airbus Industries had agreed to roll over Garuda's debt worth $750m to three years, but rejected a proposal for a debt cut to $600m. "Finally we agreed on the size of $750m and [the] three-year rescheduling," said Mr Djohan. Earlier this year Garuda said it may return half of its fleet to leasing companies and sell assets to avoid being grounded altogether.

This week, EVA Airways of Taiwan said it had to cancel a plan to purchase 12 Airbus aircraft because of the weak travel industry. "Last year we signed a letter of intent with Airbus for a firm order of six aircraft and an option for another six . . . Now this plan is off," EVA said. **AFX-Asia**

COSMETICS

Shiseido in HK venture

Shiseido, the Japanese cosmetics company, has set up a sales joint venture in Hong Kong with Dah Chong Hong, a local trading company. The joint venture is capitalised at HK$123m (US$15.9m) and will be equally held by the two partners, according to the Japanese group.

Shiseido plans to strengthen its business base amid expectations of a re-emergence of Asian economies. The new venture aims for annual sales of HK$260m by 2000.
Reuters, Tokyo

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Brierley quits joint venture

By Terry Hall in Wellington

Brierley Investments has suffered a NZ$123m (US$63m) loss from the joint venture which bought the New Zealand Forestry Corporation from the government in 1996.

The New Zealand-based investment group, has decided to quit its 25 per cent stake in the Central North Island Forest Partnership, which paid NZ$1.6bn to buy 164,000ha of formerly state-owned forests.

The other partners in the venture are Citic, the Chinese government's state trading organisation, and Fletcher Forests, which each own 37.5 per cent. Brierley has offered its shares to both Citic and Fletcher Forests, but it is expected that the Chinese will turn down the offer.

If this happens, Fletcher Forests will, under a preliminary agreement, give Brierley US$30m for the debt in the partnership plus 93.3m of its shares for the equity holding.

This values the Brierley stake at around NZ$117m, compared with the NZ$240m that was originally invested. It is believed the loss would have been included in the NZ$1.2bn of write-downs announced by Brierley Investments last week, which led to a NZ$904m loss.

Earlier this week the partnership said it had restructured a US$700m loan with a consortium of 12 banks. An extra US$126m will be injected into the partnership.

The new loan was needed following the Asian financial crisis which has led to log prices hitting a 20-year low.

JAL to step up cost-cutting

By Alexandra Harney in Tokyo

Japan Airlines (JAL), the country's largest airline, yesterday confirmed it would step up its cost-cutting in an attempt to improve deteriorating profitability.

The group said it was considering accelerating measures to trim costs 10 per cent by 2001 as part of a restructuring programme announced in April. It declined to comment on which areas it would scale back, but said it hoped to make a more detailed announcement soon.

"We would like to revise our mid-term plan, which includes targets of about 10 per cent cost cuts, but the timing is still under consideration," JAL said.

The company did say it aimed to pay a dividend this year, which would be the first payout in seven years.

The company said the airline originally planned to cut ground crew numbers by 1,500 but it could now cut more than 1,800.

JAL has been hit by sluggish consumer demand and losses from its hotel and resort businesses. Except for May, monthly passenger numbers on international flights this financial year have been below last year's figures. "Companies have been inclined to limit business trips and ticket prices continue to decline amid sluggish economic condition," JAL said.

In the year to March, the group reported net losses of Y94.2bn ($710m), compared with Y9.2bn the previous year. This year, the group expects to return to profitability with Y14bn in earnings on turnover of Y1,233bn.

Tokyu to sell store in restructuring

By Deborah Haynes in Tokyo

Tokyu, the troubled department store group, yesterday announced a restructuring programme in which it will sell its third largest store in the capital's Nihonbashi district by the end of January next year and close down several overseas operations.

Toru Uchiyama, president, said he expected to make at least Y60bn ($452m) from the sale of the store. Shares in Tokyu closed at Y139, up 2 per cent.

Mr Uchiyama said he had chosen to sell the Nihonbashi store as it had been fighting a losing battle for a number of years with Takashimaya and Mitsukoshi, two other large department stores in the area.

Despite the sale, Tokyu expects a loss of Y58bn this year, compared with its previous forecast of a Y4.5bn loss and last year's loss of Y15.38bn.

Sales are forecast to decline from Y521bn last year to Y459bn this year.

However, Tokyu said it aimed to generate group pre-tax profits, excluding exceptionals, of Y10bn and group operating profit of Y18bn by 2003.

Tokyu is not the only department store group suffering from heavy debts. "There are six stores in the Tokyo area in greater financial stress," said Kevin Hebner, analyst at UBS. "Tokyu is the first to take any serious steps towards reconstruction and it will not be long before other companies follow the lead."

Mr Uchiyama said the shop's sale would not result in redundancies among the 386 employees. "About 105 workers will go in early retirement and we plan to transfer the rest of the staff to vacancies in our remaining four stores or other affiliated companies," he said.

Tokyu planned to cut its staff of 4,200 to 3,700 by January 2003.

News of the sale had not yet hit the shop floor of the 31-year-old store. "I heard a rumour Tokyu were thinking of selling," said a checkout girl from Hayashi Fruits. "However, we are just tenants here so if such a sale does go ahead, I suppose all that will change will be the name at the top of the lease cheque."

A sharp drop in consumer consumption has forced the company to sell its four overseas store operators, at a combined loss of Y28.3bn. The group will close and dissolve its Singapore subsidiary One-0-Nine Trading and Singapore's Tokyu Department Store at a loss of Y4.8bn.

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Intel in video and TV tie-up

By Louise Kehoe in San Francisco

Intel, the semiconductor maker, has formed an internet multimedia technology and marketing partnership with RealNetworks, a specialist software group, to create technology for the production of internet video and television, in competition with Microsoft.

The move comes shortly after the US Justice Department alleged that Microsoft had attempted to bully Intel, RealNetworks and other companies, into not competing with it in internet multimedia. However, yesterday's announcement suggests that, if such bullying occurred, it had no lasting impact.

The joint announcement with Intel gave RealNetwork's share price a strong boost, recovering some of its losses over the past two months since the company became embroiled in the Microsoft antitrust lawsuit.

The stock was up 25 per cent in mid-session yesterday, at \$24⅞. This was still well below its July peak of \$45 before the company charged, in testimony before a US Senate committee, that Microsoft had deliberately designed its latest internet video software to disable RealNetworks' competing product.

Intel, the leading personal computer chip-maker, is pursuing internet video technologies to create broader consumer demand for high performance PCs.

RealNetworks will license Intel technology, called Streaming Web Video, into a new internet video production system. The new technology promises better sound quality and clearer pictures for video transmitted over the internet.

Atlantic Records plans to use the technology on a new online video channel, Instavid. The combination of Intel and RealNetworks technologies was "an important step in extending Atlantic's ability to make mainstream broadcasting possible on the internet," said Karen Colamussi, Atlantic senior vice president of new media.

Philip in the dock over accounts

By Scott Morrison in Toronto

Rumours about serious accounting irregularities at Philip Services had been swirling about the Canadian waste services company since it revealed in January it would take a US\$200m restructuring charge.

Further write-downs totalling about \$400m, and the company's restatement of earnings back to 1995, sent investors fleeing for cover as Philip's share price plunged more than 90 per cent.

The company's secrecy during months of turmoil left observers questioning the scope and nature of Philip's difficulties. However, a class-action lawsuit recently filed in New York alleges that the company engaged in a series of fraudulent accounting practices that enabled it repeatedly to overstate revenues and earnings while understating expenses and liabilities.

Strong financial statements inflated Philip's share price, which was crucial to the success of the company's 1996-97 acquisition spree, a significant portion of which was financed in stock.

The lawsuit cites the company's factoring agreement with Royal Bank Export Finance Corporation (Refco). It alleges that Philip withheld payments owed to Refco for up to 30 days and apparently used the funds to engage in copper trading. Moreover, the company failed to record its liability to Refco, thus overstating its accounts receivable, says the lawsuit.

In a "tolling" agreement with General Motors, Philip received scrap metal from the carmaker and agreed to provide it with cathode copper, which Philip received from third parties. But the lawsuit alleges that when Philip acquired cathode copper to meet its GM obligations, it incorrectly recorded the value of the purchase as inventory, thus inflating the value of its assets.

Furthermore, owing to its mounting cash-flow problems, the company was unable to meet all its obligations to GM and had a shortfall of \$26m in 1996. The court document maintains Philip did not record the shortfall as a liability, thus understating its liabilities.

The lawsuit alleges that the company became aware in mid-1997 that its accounting practices were becoming impossible to cover up. As a result, management began to plan for a metals restructuring charge, which it hoped would deflect attention away from the true state of affairs at the company.

Philip, which has launched a lawsuit against three former employees, suggests some of the charges have been concocted by at least one of the employees to cover up his own wrong-doing while a director at the company. The company has said it was reviewing the lawsuit and preparing to defend itself in documents to be filed within 60 days.

Schwab bucks downward trend

By Tracy Corrigan in New York

The global market volatility that has claimed numerous victims among hedge funds and banks has at last produced a beneficiary. Charles Schwab, the US discount broker, yesterday said its third-quarter earnings were set to beat expectations, due to heavy trading by customers.

The company, which has about 5.4m customer accounts and earns about half its revenues from trading, said it expected third-quarter net income of \$90m-\$97m, or 33-35 cents a share – above analysts' estimates of 31 cents, according to First Call.

While other securities firms have been hit by trading losses in emerging markets, Schwab's results "reflect heavy trading volumes, the strength of our core domestic business, the absence of any international proprietary trading and a continued focus on staffing levels, expenses and risk management," said David Pottruck, president and co-chief executive.

Revenues for the quarter are expected to be about \$700m, up from \$612m. Earlier this year, Schwab adopted a flat-rate charge of \$29.95 for internet trades in an effort to compete with other internet services. About half of Schwab's trading revenues now derive from on-line trading, and the firm has nearly 2m active online customer accounts.

Lauren Smith, an analyst at brokerage Puttnam, Lovell, de Guardiola and Thornton, said although Schwab had been reining in expenses, margin pressures remained and the "massive trading volume days" of the third quarter may ease when market stability returns.

Tearing down barriers: Campbell wants wider profile

Campbell Soup plans kiosk sales

Campbell Soup, the US food company, yesterday said it was thinking of setting up soup kiosks in shopping malls and airports for Americans eating on the hoof, writes Richard Tomkins in New York.

It said it was responding to the trend in the US and other countries for people to spend more on restaurant and take-away meals and less time cooking at home.

The company said it was setting up a new division called "Campbell away from home" to increase sales of Campbell's Soup and its other brands through non-traditional channels.

"Consumers now spend more than 50 per cent of their food dollars on food prepared and consumed away from home," the company said.

Campbell Soup already has a food service business which supplies its products to restaurants, hospitals and schools. However, consumers are rarely aware they are Campbell's.

The company wants to change this by getting its name on the products at the point of sale, in the hope that people will be more inclined to buy them if they know they are Campbell's.

It has experimented by putting its name on soups sold at help-yourself bars in US colleges, and plans to extend this to convenience stores and other locations.

It is also trying to get its soups on to the menus of fast-food restaurant chains. They are already being sold by the Long John Silver's chain in the US.

But Craig Rydin, who will head the "away from home" division from October 1, said the biggest departure from existing practice was the idea of setting up free-standing Campbell's soup kiosks in railway stations, airports, shopping malls and other busy areas, overseas as well as the US.

NEWS DIGEST

FOOD AND RETAIL

Host Marriott is hurt by airline pilots' strike

Host Marriott Services, the food, beverage and retail services company, forecast it would report lower-than-expected third-quarter earnings of 50-51 cents a share. Yesterday it said earnings were hurt primarily by the Northwest Airlines pilots strike, which reduced its earnings by 3 cents a share. Also, it said its duty-free business was hurt by the Asian economic slowdown.

Furthermore it expects the impact of these conditions to linger into the fourth quarter, so it also forecast earnings for the year of 59-60 cents a share, compared with 57 cents for the year to January 2 1998. However, the company said it remained committed to its long-term goals of \$2bn in revenues by 2001 and average annual earnings growth of 20 per cent for 1999 and beyond.

■ Venator Group, struggling to shed its former life as Woolworth and rebuild itself into a leaner sportswear retailer, said yesterday it would close its 570 Kinney and Footquarters shoe stores and take a \$173m third-quarter charge. Agencies

SEMICONDUCTORS

Motorola halts plant work

Motorola, the mobile phone and semiconductor chip manufacturer, has halted work on its \$3bn chip fabrication plant in Virginia. The move reflects the continued slump in the semiconductor market. This is the second time the plant has been put on hold.

The news is the latest announcement to reflect the retrenchment by chip manufacturers in the face of a global downturn in semiconductor prices driven by falling PC prices and the economic turmoil in Asia. Motorola's move also comes as the company embarks an a restructuring programme of many of its operations, including semiconductors, in an attempt to improve its weak financial performance. Roger Taylor, San Francisco

ACCOUNTANCY

Ex-theatre boss to sue KPMG

The deposed former chairman of North America's largest live theatre production company yesterday launched a lawsuit seeking C\$25m (US\$16.6m) in damages against the accounting firm investigating the company's books. Garth Drabinsky, who was suspended from Livent last month after the company's new management revealed accounting irregularities, also wants an injunction to prevent KPMG from continuing its forensic audit of the company.

Mr Drabinsky charged that KPMG was in a conflict of interest because the company was responsible for due diligence prior to an infusion of capital into the firm by a management team led by New York investment banker Roy Furman and former Disney head Michael Ovitz.

KPMG had not responded to the allegations by mid-day yesterday. Edward Alden, Toronto

BANKING CRISIS IN ASIAN AND RUSSIAN MARKETS BLAMED FOR 32 PER CENT SLUMP IN INVESTMENT BANKING

Profits slide at Crédit Agricole Indosuez

By Samer Iskandar in Paris

Crédit Agricole Indosuez, the investment arm of the French mutual banking group, yesterday blamed woes in emerging markets for a 32 per cent fall in first-half net profits, but refused to reveal the extent of its Russian problems.

Net profits fell to FFr362m ($63.9m) from FFr537m, after the bank increased provisions related to troubled Asian markets such as South Korea, Thailand, the Philippines, Malaysia and Indonesia. These provisions, now covering 18 per cent of total exposure, were raised to FFr3.16bn, from FFr2.07bn at the end of 1997.

CAI executives, however, refused to reveal the extent of losses related to Russia, claiming this would weaken their hand in forthcoming negotiations with the Russian government and debtors. The bank only said it had made an "important provision" and that its outstanding exposure stood at $490m, at August 17 market prices.

In addition to its securities trading activities, the bank is active in Russian trade and project finance.

Crédit Agricole group brought forward the publication of its half-yearly results to calm speculation over its exposure to the emerging markets. The decision followed an announcement by Moody's, the US credit rating agency, that it was reviewing CAI's ratings for a possible downgrade. CAI's financial strength rating is currently C; deposit and debt ratings are respectively Aa2 and P1.

CAI's results had little effect on the performance of Crédit Agricole, the mutual bank which owns it. Net profits for the group rose 32 per cent in the first half to FFr6.11bn. This was mainly because of the recovery in French consumer spending and a general pick-up in the economy. All activities benefited, with total deposits rising 10.7 per cent to FFr1,564bn, while loans increased by 8.3 per cent to FFr1,370bn.

Lucien Douroux, chief executive, said Crédit Agricole would continue to focus on retail banking.

Mr Douroux did not rule out taking a stake in Crédit Lyonnais, the troubled state-owned bank due to be privatised within a year after a state-backed rescue, but said he was not interested "right now".

● Natexis, the French bank acquired earlier this year by the mutual banking group Banques Populaires, yesterday announced a 14 per cent rise in first-half net profits to FFr202m. The bank set aside $529m in provisions linked to the Russian and Asian crises, and said it would go ahead with a planned capital increase of 10 per cent "if market conditions allow".

Compaq to launch attack on Germany

By Paul Taylor

Compaq Computer, the world's leading personal computer maker, is to target local consumer PC assemblers in Germany with a cut-price DM1,699 ($1,007) machine built by a local partner.

The new European home PC strategy is radical for Compaq, which has until now been willing to accept a low consumer market share in countries such as Germany where its prices have been between 25 and 30 per cent higher than those charged by local assemblers.

As a result, Compaq ranks number 10 in the German consumer PC market behind competitors such as Vobis, Fujitsu – which already owns a local assembler – and Siemens Nixdorf as well as own-brand labels including Proline, PC-Specialist, Comtec and Targa.

"Historically, the German home PC market has been challenging for all the big multinational PC manufacturers," said Toon Bouten, Compaq vice-president for consumer products in Europe. Local assemblers will account for about 80 per cent of the 1.7m home PCs sold in Germany this year.

Compaq's new cut-price home PC, the Presario 5501, will be built by Schaeffer-IT-Logistics, a Dresden-based local PC assembler using components bought on the spot market, where they are cheaper than those available to Compaq under long-term supply contracts.

The machines will be sold by Germany's eight largest electrical retail chains and direct to consumers by telephone and via the internet.

Mr Bouten believes the new manufacturing model will enable Compaq to take advantage of the more rapid response time, faster time-to-market and build-to-order advantages held by local assemblers, while exploiting the Compaq brand.

If successful, he said it will be extended to other countries in Europe with strong local assembler markets including France, the UK and Spain.

Stock swap in Norway's three-way merger plan

By Valeria Sköld in Oslo

Christiania Bank, Fokus Bank and the state-owned Postbanken yesterday unveiled further details of a three-way merger which may help them overcome the financial and political hurdles to forming Norway's largest financial institution.

The banks announced an attractive stock swap package in which Fokus Bank shareholders receive 2.386 Christiania Bank shares, representing a premium of more than NKr500m ($66.5m) for Fokus shareholders.

The concession to shareholders, combined with a strategically political decision to place the new bank's headquarters in Trondheim, will help ensure the merger does not meet the same political resistance as Den norske Bank when it tried to link with Bolig og næringsbanken, the mortgage lender, according to Harald Arnkvaern, chairman of Christiania Bank.

The Ministry of Finance blocked DnB's merger with BN bank in January, saying it would not spread financial leverage outside of Oslo.

"In a merger, it is normal to pay a premium to minority participants," said Tom Ruud, president and chief executive of Christiania Bank and the new combined group. "Sometimes you have to lose the battle to win the war. But the common view is that this is a fair deal."

The three-way deal, with Christiania Bank as 61.1 per cent owner, Fokus Bank (19.2 per cent) and Postbanken (19.7 per cent), will create Norway's fifth largest company on the Oslo stock exchange and topple Den norske Bank, as financial leader by market value.

The group expects NKr1bn in annual pre-tax savings from synergies after 2004 by sharing information technology, co-ordinating activities, and cutting 900 jobs. Shareholders will feel the effects as soon as 2001, when the deal is expected to have boosted earnings per share in Fokus Bank and Christiania Bank.

Each of the banks must win a two-thirds majority vote from shareholders for the deal to proceed. For Christiania Bank and Postbanken, which are both state-controlled, this makes the vote political. Gudmund Restad, the country's finance minister – who quashed the DnB deal – suggested the decision to base the new entity in Trondheim, the third largest city, may work in its favour. Support from Postbanken will hinge on approval from the country's Ministry of Transport and Communications, as its 100 per cent owner.

Christiania Bank is 51 per cent held by the Government Bank Investment Fund, an independent public company.

Tom Ruud (right): 'Sometimes you have to lose the battle' AP

Three PwC practices leave to join KPMG

By Jim Kelly, Accountancy Correspondent

Three national practices have defected from PwC, the new giant global professional services firm to join KPMG, one of its Big Five rivals.

Colin Sharman, chairman of KPMG International, told partners in Monaco at their annual conference that KPMG had poached firms in Israel, Indonesia and the Philippines.

Somekh Chaikin, Israel's largest firm, will join KPMG from the former network of Price Waterhouse – apparently as a result of opposition to PW's merger with Coopers & Lybrand.

The other Asian practices were formerly in the Coopers & Lybrand network.

Mr Sharman also announced tough new targets for KPMG as it accelerates moves to make it a truly global firm targetting multi-national clients.

KPMG is often seen as the least globally integrated of the Big Five firms and this year suffered a setback when it failed to complete a global merger with Ernst & Young.

Mr Sharman said the failed merger had spurred KPMG to introduce real change and that developments – such as a new IT system – would allow it to "leap-frog" the opposition.

More than $15m has already been spent on developing KWorld, the new IT platform, with a further $45m earmarked for development on a year-by-year basis. A further $60m is being spent on a new global branding campaign.

Mr Sharman said the firm was aiming for 25 per cent growth in revenues, a 2 percentage point rise in margins per annum, and an annual 25 per cent increase in staff retention.

Paul Reilly, head of the new international executive, said this would mean the firm having revenues of $20bn in three years and an extra incremental profit of $1.2bn by 2000-2001.

Asian crisis hits sales at Chargeurs group

By David Owen and Samer Iskandar in Paris

Chargeurs, the French textiles group, yesterday further downgraded its full-year sales forecast as it reported a 23 per cent increase from FFr147m to FFr181m ($32m) in first-half net income.

The result was achieved in spite of a 9 per cent decline in sales and a 14 per cent fall in operating income. The group attributed the sales decline to the impact of the Asian crisis.

The impact was particularly hard-felt at Chargeurs Wool, where sales dropped 16 per cent to FFr1.87bn and operating income slid from FFr87m to FFr18m.

The company said that in the face of international trade financing difficulties in China, Chargeurs was maintaining its policy of only making deliveries on contracts where full payment was guaranteed.

The group forecast full-year sales of between FFr7.5bn and FFr8bn, down from a forecast of FFr8.5bn in July and FFr9bn in May. It said net income should reach 3 per cent of sales, excluding exceptional events.

● International expansion has played an important part in the growth of Pinault Printemps Redoute, the French retailing group, which said yesterday its net profits had risen by more than 35 per cent in the first half to FFr1.28bn.

While turnover grew 23.3 per cent to FFr50.48bn, sales outside France accounted for 43.8 per cent of the total, up from 34 per cent in the same period last year.

Almost three-quarters of the group's FFr6.27bn total investments were made outside France.

Serge Weinberg, chairman of the management board, said the group had benefited from the recent recovery in the French economy. Growth was also underpinned by PPR's aggressive acquisition strategy. PPR spent FFr4.2bn acquiring companies in Brazil, Spain, and Australia, in addition to FFr700m on French purchases.

Mr Weinberg said future growth would come from the development of existing brands, as well as launches of specialised services, including in the consumer finance sector.

Last week, PPR said it planned to launch, by the middle of next year, a new mail order business specialising in office equipment and furniture. PPR is already active in the sector through its subsidiary, Guilbert, and in mail order activities.

● Saint-Gobain, the French glass and building materials group, is moving to step up its Asian presence by taking a 25 per cent stake in Hankuk Glass Industries, Korea's leading flat glass producer. The company said the aim of the operation was to obtain majority control of Hankuk Glass along with the founding families. The Korean group has annual turnover of some $300m.

Saint-Gobain, whose annual Asian turnover is currently put at about FFr3bn, is aiming to lift this figure to FFr5bn within five years and FFr20bn within about 10 years. Earlier this year, it reported static first-half income of FFr3.4bn.

Cost cuts lift Italy's banks

By Paul Betts in Milan

First-half earnings of three of Italy's newly enlarged banking groups grew strongly on the back of cost cutting and buoyant fund management operations.

Istituto San Paolo di Torino, the country's largest commercial bank which is merging with the IMI banking group, saw first-half net consolidated profits rise 88 per cent to L487bn ($292m). The performance would have been stronger if the bank had not decided to increase provisions to cover its net lending exposure in Russia.

San Paolo made L195bn of new provisions to reduce its net non-guaranteed exposure to Russia from L372bn to L177bn, 0.1 per cent of the bank's net loans.

Intesa, the banking group formed through the merger of Banco Ambrosiano Veneto and the Milan Cariplo savings institute, reported a 74 per cent rise in first-half net profits, to L523bn

Consolidated net income at Credito Italiano, the Milan bank due to link with three north Italian regional banks next month to form Unicredito Italiano, rose even more, by 206 per cent to L735bn. Cassa di Risparmio di Torino, one of the regional banks involved in the Unicredito marriage, also reported a 110 per cent rise in first-half net profits to L154bn, while Cassamarca, another Unicredito partner, had a 73 per cent rise in net profits to L20bn.

Rolo Banca, the Bologna-based bank also part of the Credito Italiano group, saw first-half profits rise 60 per cent to L417bn.

The international financial crisis and its impact on banking shares has not yet halted the ongoing consolidation of the Italian banking system. Efforts are now under way again to revive the long-touted merger between Milan's Banca Commerciale Italiana and Banca di Roma, although there also appears to be counter manoeuvres to bring Banca Commerciale into the orbit of the San Paolo-IMI group.

However, Italian banks are now becoming increasingly concerned over the possible impact of a prolonged bear market on their higher-margin fund and asset management services that have been growing rapidly.

BBV takes majority control of BHIF

By Tom Burns in Madrid

Banco Bilbao Vizcaya, yesterday reaffirmed its commitment to Latin America by taking majority control of BHIF, Chile's seventh biggest bank, with a Pta3.5bn ($24m) equity purchase that lifted its stake from the 47 per cent, acquired in June, to 55 per cent.

The acquisition, part of the original purchase agreement, concludes BBV's first direct investment in Chile and counters perceptions that the big Spanish bank could be harbouring second thoughts about Latin America.

BBV and its domestic rival, Banco Santander, which has a similar large franchise in Latin America, have both seen their share price dive by nearly 50 per cent since late July. The two also recently withdrew competing bids for Brazil's Banco Minais Gerais.

Brazilian banking investments already represent 3 per cent of Santander's total assets and 2 per cent of BBV's and both banks clearly prefer to wait and see before raising them further. BBV paid $450m earlier this year for control of São Paulo's Banco Excel Económico.

The shares of BBV and of Santander rallied yesterday for the second day running, but the jury is still out on the degree of investor confidence the two institutions will regain.

"Everyone is working on sentiment and people are not yet going through the numbers," said Ana Macdonald, analyst in London for Madrid brokers AB Asesores.

Analysts said the share rebound, which lifted Santander by more than 5 per cent on Madrid's Bolsa and BBV by nearly 3 per cent, was driven by speculation that the International Monetary Fund was preparing a financial package for Latin American economies. Some traders, however, believe the two big Spanish banks have been oversold.

"The markets are not taking into account the geographical diversity of the investments by BBV and Santander in Latin America, the strategy they are pursuing in the area and their very conservative provisioning policies," said Carlos Pertejo, banking analyst at J. P. Morgan in London.

Santander has the highest exposure with some 31 of its assets located in Latin America but, after minorities, no single Latin American country represents more than 5 per cent of its total assets. In addition, Santander's largest positions are in Argentina, Chile and Puerto Rico – less volatile economies .

NEWS DIGEST

ISRAEL

Bank Leumi privatisation proceeds after roadshow

Israel will today press ahead with its bank privatisation programme and publish a prospectus for a package of shares and warrants in Bank Leumi, the country's second biggest, after a roadshow targeting European investors.

If all warrants are exercised, the state will relinquish control of the bank and see its current 61 per cent stake fall to 44 per cent on a fully diluted basis. The state hopes to receive about $105m in immediate proceeds, and another $160m if all warrants are exercised in December 1999.

MI Holdings, the bank privatisation company, said Lehman Brothers, Merrill Lynch and Flemings subscribed for 75 per cent of the shares, worth $80m, in the pre-commitment stage. Meir Jacobson, managing director of MI Holdings, said this showed that "foreign investors like the share" in spite of difficult market conditions.

Each package includes 10 shares worth Shk5.80 apiece and 15 warrants for Shk5.98 each. The share price represents a 3 per cent discount to the market value on Tuesday night, when the target prices were set. The entire package is worth 12.3 per cent of Leumi's equity, and includes a greenshoe, or over-allotment option, for another 2.4 per cent. Bank employees will be offered 1.9 per cent as well. **Avi Machlis, Jerusalem**

SWEDEN

SKF closes US plant

SKF, the troubled Swedish bearings group, is to close its plant in Gastonia, North Carolina, with the loss of 330 jobs. The company, which recently sacked its chief executive, said yesterday the closure was part of a previously-announced restructuring package which will reduce its workforce by 4,000 over two years.
Greg McIvor, Stockholm

Rights issue for Hansapank

FöreningsSparbanken, the Swedish bank that has acquired 30 per cent of Estonia's Hansapank, yesterday offered to underwrite an EKr1.4bn ($104m) rights issue to increase the bank's share capital. The Swedish lender described the proposed right issue as fairer rather than Hansapank's proposal to auction 14m new shares, which threatened to dilute its stake by up to 20 per cent.

Lars-Olof Odlund, a senior official at FöreningsSparbanken, said the rights issue would enable it to maintain its stake by subscribing to new shares. It is offering to underwrite the offer at EKr100 a share.

Hansapank, in which Skandinaviska Enskilda Banken also has a 10 per cent stake, is due to consider the offer today. **Tim Burt, Stockholm**

PHARMACEUTICALS

Bayer considers Agfa sale

Bayer, the German chemicals group, will discuss the possible sale or flotation of Agfa, its ailing films business, at a supervisory board meeting today.

Analysts said the meeting could result in Bayer selling Agfa, which has around DM8.3bn ($4.9bn) annual sales but has underperformed in recent years. The company said yesterday it was considering a number of options for the film unit, including floating the division, working with a partner or selling Agfa outright.

Agfa had an operating result last year of around DM481m. The future depended on stock market sentiment in the wake of the world financial turbulence, Bayer said.
Graham Bowley, Frankfurt

SOUTH AFRICA

Sasol posts 19% fall

Sasol, South Africa's synthetic fuel producer and petrochemical company, yesterday announced lower profits for the year to June but said its proposed purchase of chemicals group AECI would increase turnover by 50 per cent and provide significant potential for reducing costs.

Net profit fell 19 per cent to R2.07bn ($337m), but the total dividend was maintained at 147 cents. Turnover rose 5 per cent to R16.67bn, while pre-tax profit declined 22 per cent to R3.29bn. The benefits of a lower rand against the dollar offset the impact of weaker crude oil and petrochemical prices and thinner refining margins.

Sasol, whose subsidised oil-from-coal plants date back to the era of anti-apartheid economic sanctions, said the purchase of AECI from Anglo American Industrial Corporation – still subject to the approval of the local Competition Board – would help it pursue a policy of international growth. Pieter Cox, managing director, said the deal would enable Sasol's chemical businesses "to more rapidly achieve economies of scale, approaching those of competing international companies".
Victor Mallet, Johannesburg

DOMESTIC APPLIANCES

Merloni upbeat on Russia

Merloni, the Italian domestic appliance manufacturer leader in the Russian market, yesterday reported a 30 per cent rise in first-half pre-tax profits to L30.5bn ($18.3m) on a 9 per cent increase in sales to L1,384bn. The figures included a L14bn provision to cover eventual risks in Russia. However, the company said it had not faced any extraordinary losses or costs since the rouble devaluation. Vittorio Merloni, chairman, said the company expected full-year figures to be higher and "in any case not lower than 1997", in spite of difficulties of the Russian market. The company, whose brands include Ariston, Indesit and Scholtes, reported pre-tax profits of L82.5bn on sales of L2,800bn in 1997. **Paul Betts, Milan**

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Poor beer sales knock Bass

By John Willman, Consumer Industries Editor

Bass shares plunged 11.8 per cent yesterday after the brewing and hotels group issued a trading statement warning of difficult conditions in its drinks and pubs divisions.

News of falling sales of beer and soft drinks, a decline in profits in the group's 2,600 pubs and several one-off costs took the shares down 97p to 725p. Analysts reduced their forecasts for this year by about 5 per cent, with slightly smaller reductions for 1999.

The statement, covering the 48 weeks to the end of August, added to the gloom in the brewing, pubs and restaurants sector following a series of warnings of deteriorating trading conditions during the summer. The sector is down 25 per cent in the last three months, underperforming the market by 10 per cent.

Scottish & Newcastle, the UK's largest brewer which last month warned of difficult trading conditions in its pubs, fell 49¼p to 725p.

Like other groups which have issued trading statements in recent weeks, Bass said poor summer weather and a general softening in demand was hitting UK sales.

The early exit of England and Scotland from the soccer World Cup also reduced pub takings, particularly in community pubs where drinkers had been trading down from premium products.

Branded restaurants and pubs such as All Bar One and Harvester Inns appeared to have fared better, with returns on the investment over the last four years up marginally to 18 per cent. Bass said there would be no reduction in capital expenditure in this sector, but some refocusing towards suburban and out-of-town chains.

"There is growing evidence of polarisation between these top-end pubs and the locals," said Colin Davies, drinks analyst at Goldman Sachs.

The most positive news came from the hotels division which reported a 7 per cent boost in revenues per available room in Europe. Growth in the Inter-Continental luxury chain, acquired in March for £1.7bn, was 10.5 per cent – ahead of expectations.

In brewing, Bass maintained its share of a "difficult" UK beer market. But the recall of 8m cans following a coolant leak which contaminated the output of the Cape Hill brewery in Birmingham cost it £12m.

In export markets, the continuing strength of sterling and lower sales of Hooch, the best-selling alcopop, cut brewing profits by £11m.

The Britvic soft drink business, in which Bass has a 51 per cent stake – has also been trading "well below" last year. A change in the pricing of the products it supplies to shareholders will cost Britvic around £8m this year. And a product recall after the carcinogen benzene contaminated Britvic products cost it £3m.

Yesterday's fall means the shares are 40 per cent below the April peak of £11.95 – reached after Bass had sold its tenanted pubs, Gala bingo halls and Coral betting shops and returned £950m to shareholders.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbott Mead	6 mths to Jun 30☆	217	(208)	6.15♥	(0.809)	4.66	(2.32L)	2.4	Oct 23	2	-	6.5
Alliance UniChem	6 mths to Jun 30§	2,524	(833)	50.1	(26.9)	11.3†	(10.1)	3.65	Dec 31	3.3	-	9.7
Ash & Lacy	6 mths to June 30	68.9	(75.3)	5.01♠	(5.45)	8.94	(10.3)	3.1	Nov 13	2.9	-	7.7
Ashbourne Hlds	6 mths to Jun 30★	7.43	(5.39)	4.77	(2.18)	6.9	(-)	2.2	Nov 27	2	-	-
Aspen	6 mths to Jun 30	43.7	(47)	15.2L♠	(0.341L♠)	101L	(2.6L)	nil	-	2.5	-	2.5
Baynes (Charles)	6 mths to Jun 30	162	(128)	10.3	(10.6)	3.89†	(4.03)	1.15	Nov 1	1.15	-	3.2
BG	6 mths to Jun 30	2,275	(2,347)	711♥	(759♥)	12.1	(0.6L¥)	4.3	Dec 16	4	-	8
Britannic Assce	6 mths to Jun 30☆	-	(-)	210	(1,106♥)	84.6	(585)	12	Oct 16	10	-	39.6
Canning (W)	6 mths to Jun 30	41.3	(37.5)	4.25	(4.6)	9.7	(10.5)	3.85	Dec 1	3.7	-	9.1
Clinton Cards	6 mths to Aug 2	73.9	(61.3)	0.595L	(1.8L)	0.72L	(2.07L)	1	Nov 12	0.75	-	3
Cussins Property	6 mths to Jun 30	19.8	(15.1)	1.88	(1.21)	7.4	(4.9)	1.7	Oct 22	1.57	-	4.51
Dencora	6 mths to Jun 30	9.29	(18.5)	2.56	(2.86)	8.4	(8.3)	-	-	-	-	-
Falmar	6 mths to Jun 30	19.7	(19.7)	2.61	(2.56)	6.3	(6.1)	1.8	Nov 13	1.8	-	5.2
Hay (Norman)	6 mths to Jun 30	4.98	(4.88)	0.525	(0.348)	5.4	(1.7)	0.8	Nov 4	-	-	1
Kingfisher	6 mths to Aug 1	3,061	(2,794)	228♥	(158♥)	11.7	(8.5)	3.75	Nov 20	3.25	-	23
Lopex	6 mths to Jun 30	58.2	(57.1)	2.46	(1.54)	2.98	(1.6)	0.5	Oct 16	0.4	-	1
Matthews (B)	28 wks to Jul 12	174	(185)	5.3♠	(6.67)	2.49	(3.49)	2	Oct 23	1.8	-	4.3
Meristem	6 mths to Jun 30	16.1	(15.2)	1.04	(1.12)	3.3	(3.2)	0.8	Oct 30	0.8	-	2.4
PTS	6 mths to Jun 30	51.4	(40.8)	1.37	(0.755)	3.61†	(2.12)	1.36	Oct 29	1.3	-	4
Ring	Yr to Jun 30	77.9	(89.5)	15.9L♠	(2.27)	42.4L	(2.4)	1.6	Dec 15	nil	1.6	2.2
Ruberoid	6 mths to Jun 30	83.2	(86.7)	1.32♠	(1.24♥)	1.6	(2)	1.9	Nov 24	1.9	-	6.1
Saltire	28 wks to Jul 11	68	(67.4)	21♠	(1.37L♥)	10.3L	(8.8L)	nil	-	nil	-	nil
Spring Ram	6 mths to Jun 28	112	(117)	6.6♥	(1.4L)	1.4	(0.3L)	nil	-	nil	-	0.1
Systems Intl ф	Yr to Jun 30#	12.4	(6.35)	1.57	(0.728)	3.1	(1.4)	-	-	-	-	-
Tepnel Life	Yr to Jun 30	0.135	(0.265)	2.59L	(1.53L)	5.31L	(3.14L)	-	-	-	-	-
Thorpe (FW)	Yr to Jun 30	26.7	(23.7)	4.04	(3.12)	21.7	(16.3)	3.75	Nov 4	3.13	5.25	4.5
Taylor & Francis	6 mths to Jun 30	17.15	(12.99)	3.87♠	(3.56)	4.39†	(4.21)	1	Oct 28	-	-	-
Tibbett & Britten	6 mths to Jun 27	538	(417)	11.66	(11.56)	16.4†	(17.1)	5.9	Nov 11	5.5	-	18.5¤¤
Tilbury Douglas	6 mths to Jun 30	267	(241)	7.96	(9.16)	8.2	(7.2)	3.2	Nov 6	3‡	-	9.6‡
Try	6 mths to Jun 30	58.9	(70.2)	1.21	(0.757)	1.5	(0.92)	0.35	Oct 30	-	-	0.6
Verity	Yr to Jun 30	21	(45.3)	7.97L♠	(8L♠)	2.6L†	(2.9L)	nil	-	0.1	nil	0.1
Wassall	6 mths to Jun 30	137	(389)	17♠	(232♥)	8.5	(106.7)	2.2¤	Nov 6	2.3	-	7.8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Invesco Japan Dis	Yr to July 31	36.97	(60.88)	0.055L	(0.087L)	0.2L	(0.24L)	nil	-	nil	-	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. фAim stock. ☆Comparatives restated. ¥After windfall tax. ★Comparatives pro forma. ¤Foreign income dividend. ¤¤Paid partly as foreign income dividend. ‡Restated for share split. #Pro forma results. §Comparatives for UniChem only.

EMI calls off Polygram bid

By Alice Rawsthorn

EMI, the UK music group, has decided against bidding for PolyGram Filmed Entertainment (PFE), Europe's largest film producer and distributor, on the eve of the final deadline.

The withdrawal of EMI, long seen as the front runner in the bidding, casts a cloud over the auction of PFE. Goldman Sachs, the bank handling the sale, has set a deadline of tomorrow for final bids.

PFE, which has backed a series of box office hits including *Trainspotting*, *Bean* and *Lock Stock & Two Smoking Barrels*, went up for sale in May after Seagram, the Canadian entertainment company, bid $10.4bn for the PolyGram group to win control of its music interests. Seagram has indicated that it expects to raise $750m from the disposal.

A dozen companies made preliminary bids for PFE, but EMI was one of the few potential purchasers that appeared intent on keeping it intact under the present management. EMI also seemed willing to continue to invest in the loss-making PFE, which is not scheduled to break even until next year.

Sir Colin Southgate, EMI's chairman, was initially enthusiastic about buying the film company. However, when he and his three fellow executive directors met yesterday to discuss the results of due diligence, they are understood to have decided against making a final bid.

Other companies, including Canal Plus, the French pay-TV concern, and Carlton, the UK media group, have also been conducting due diligence with the aim of submitting final offers before tomorrow's deadline.

However, Canal Plus has indicated that it can not bid as high as $750m, and Carlton is primarily interested in PFE's 1,500 strong film library and might not be willing to sustain its film production activities.

Similarly, it is not clear whether PFE's US bidders would keep the company intact. Artisan Entertainment, a film and video distributor backed by Bain & Co, the consulting group, would be unlikely to retain the current management team. Kirk Kerkorian, the veteran US corporate raider, may make a last-minute bid, but he would merge PFE with MGM/UA, his existing Hollywood studio.

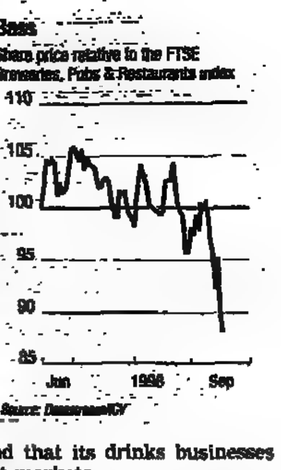
If Seagram can not find a bidder willing to meet its price expectations, it will merge PFE into Universal, its Hollywood movie studio.

The absorption of PFE into Hollywood, or its purchase by a new owner which can not sustain its present level of production activity, would deal a serious blow to the recently revived European film industry.

A large chunk of the $1.2bn PolyGram has invested in PFE since 1991 has gone into production and distribution in Europe, particularly in the UK. No other European company seems likely to provide a similar level of investment.

COMMENT

Bass



Source: Datastream/ICV

The speed of the second half slowdown in Bass's pubs combined with leaks in its drinks profits to make the market choke. It was already in a delicate state after hearing that Whitbread was cutting investment in pubs and that UK consumers were eating out less. So, in part, Bass's disappointing story was predictable. Its 1,000 community pubs are concentrated in areas feeling the pinch in the north and Midlands and the embarrassing recall of its canned beers was also known. What is worrying is that its "tail" of underperforming pubs is so long and that its drinks businesses succumbed so easily to difficult markets.

In this climate it is a pity Bass – and others – are not joining Whitbread in cutting capital spending on pubs. Oversupply is now clearly running into sagging demand, and good returns from new outlets may flatter to deceive.

Bass's short-to-medium term earnings growth is now even more dependent on hotels – notably via the InterContinental acquisition – and its share buyback. And after yesterday's downgrades, the outcome does not look very exciting. If it can manage 58p of earnings in 1998-99, that is only 15 per cent up on 1995-96. This does not do justice to the board's strategic refocusing. But to reap full rewards it will now have to focus on nitty gritty management of flagging UK businesses.

Provisions

The new accounting standard on provisions is to be welcomed for encouraging transparency and tightening up definitions of what can be provided for. This should curb the "kitchen sink" variety of provisions, where a management throws in every expense that can remotely be linked to a restructuring, citing prudence for making the bills as big as possible. One year of red ink – the transition year – and then those profit bar charts go neatly upwards because operating profits have been freed, in advance, of certain expenses. But although the standard will help curb abuse, it still allows plenty of – albeit properly detailed – provisioning. And charges spread over a number of years may still be wrongly disregarded in looking at "underlying" profits. There will be no substitute for ploughing through the notes on provisioning, and every reason to continue the trend towards focusing on cash flow.

Zeneca to invest £50m in wheat project

By Clive Cookson

Zeneca, the drugs and agrochemicals group, is to invest £50m ($83m) over 10 years in a research collaboration with the John Innes Centre to develop genetically engineered wheat varieties.

Zeneca will build a laboratory on the centre's Norwich campus, where 30 of its scientists will work. The company will also support 20 new research jobs elsewhere at John Innes, an independent plant research centre whose basic science is funded by the government through the Biotechnology and Biological Sciences Research Council.

The announcement yesterday came a day after Du Pont, a US competitor, put out a similar statement about collaborating with the John Innes Centre to develop "new wheat varieties and wheat products with improved agronomic, industrial and food uses". Du Pont did not disclose the terms of its agreement but it is believed to be putting in about £10m.

Blakeney Management announces it has 6% stake in Lonrho Africa

By Andrew Edgecliffe-Johnson

Blakeney Management, an emerging market specialist which has invested $300m in Africa and the Middle East, is pressing for board changes and disposals at Lonrho Africa, after declaring yesterday that it had bought about 6 per cent of the company.

Analysts said yesterday that Blakeney, which has connections with funds controlled by George Soros, may call a special shareholder meeting to vote on its proposals for three new non-executive directors and a change of strategy, if the company does not agree to its requests.

Shares in Lonrho Africa, which was demerged from Lonrho, the former conglomerate, in May, rose 4p to 59¼p, but remain well below their 94½p high and the group's net asset value, which analysts estimate at 120p per share or more.

The group, a collection of car showrooms, luxury hotels and sausage factories in 14 sub-Saharan countries, said last night that it was seeking clarification of Blakeney's intentions.

It was "pleased to welcome investors who believe in the strengths and prospects of Lonrho Africa and who support Lonrho Africa's fundamental objective to build long-term value for shareholders," it said.

Blakeney is led by Miles Morland, who ran the London office of First Boston until 1989, and owns 24 per cent of African Lakes, a London-listed group which has bought about 1 per cent of Lonrho Africa in recent days.

Mr Morland said yesterday: "At this stage, [Blakeney's stake-building] should not be seen as a prelude to a bid." He said a hostile bid would not be in anyone's interests: "Africa is a small place in investment terms and it is important that the people who invest in it keep on good terms."

He added, however, "We have to keep all our options open. Analysts said Blakeney may try to sell some of Lonrho Africa's agricultural assets, which include cotton ginneries, breweries and abattoirs, to African Lakes.

The three directors proposed by Blakeney are Mr Morland, John Jackson, the chairman of Ladbroke and Celltech and director of Billiton, and Lord Renwick of Clifton, a former British ambassador to South Africa who sits on the boards of Billiton, Compagnie Financièer Richemont and Liberty International.

Mr Morland said Mark Newman, chief executive of Lonrho Africa, was "doing a good job under difficult circumstances." The group's interim results in June showed that the El Niño weather phenomenon, political unrest and currency devaluations had knocked pr-forma profits from £10.4m to £1.9m.

Analysts said two US shareholders in Lonrho Africa, Greenway and Morgan Stanley, may also play an active role in any shake-up.

Lonrho Africa defended its board structure and its record on disposals.

Daimler plans to link with Mayflower

By John Griffiths

Daimler-Benz yesterday said it was planning a link-up with Mayflower Corporation, the UK engineering group locked in a takeover battle with Henlys for control of Dennis, the bus and specialist vehicle maker.

Daimler-Benz said the collaboration would explore "a number of technical possibilities" in the bus sector but declined to elaborate and said no specific agreements had been signed.

Mayflower is already a substantial supplier to Daimler-Benz's Freightliner truck operation and its Mercedes-Benz M-Class sports utility vehicle operations in North America.

John Simpson, Mayflower chief executive, the collaboration would go ahead irrespective of whether Mayflower gained control of Dennis.

It would cover technical support from Daimler-Benz and new bus chassis development and possible supplies of Mercedes-Benz engines and other key components.

Carlson and WestLB close to deal

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Carlson Companies, the Minneapolis-based travel business, and Germany's Westdeutsche Landesbank are thought to be close to agreeing a merger of their UK package holiday interests.

A deal would lead to the enlargement of WestLB's Thomas Cook group, the UK-based high street travel agent and one of the oldest names in the package holiday business.

It would also pave the way for an eventual stock market flotation of Thomas Cook, an option which WestLB has periodically contemplated.

Carlson is likely to transfer its recently-acquired Inspirations package holiday business into Thomas Cook in exchange for a stake in the enlarged business, possibly of 25 per cent.

Thomas Cook is the UK's fourth largest tour operator after Thomson, Airtours and First Choice, and is the third largest travel agent. Lunn Poly and Going Places, owned by Thomson and Airtours, respectively are the two largest chains.

Carlson paid £42m ($70m) for Inspirations last year but is taking legal action against eight former Inspirations directors, including Vic Fatah, the founder, for alleged mis-statement and misrepresentation relating to the sale.

Carlson recently turned down an offer by the former directors to buy back Inspirations, saying it had no intention of pulling out of the UK travel market. It is doubling the number of Inspirations holidays from 170,000 this summer to 350,000 next summer.

However, it has been seeking a partner for Inspirations' Caledonian airline business. Under EU rules it is not allowed to own more than 49 per cent of the carrier.

Carlson entered the UK travel market in 1990 with the purchase of the AT Mays travel agency chain, now known as Carlson Worldchoice, after forming an alliance with Artac, the independent travel agency chain.

A merger would make Thomas Cook the UK's largest travel agent with more than 1,400 shops. Thomas Cook, which became one of the UK's largest operators in 1996 with the purchase of Sunworld, recently bought Flying Colours, the tour operator and charter airline.

Hyder to pull out of Czech Republic

By Robert Anderson in Prague

Hyder, the Welsh utilities and infrastructure group, is putting its 35.8 per cent stake in the Czech Republic's second biggest water company up for sale.

Hyder paid some £7m for its stake in Severočeske Vodovody a Kanalizace (SčVK), north Bohemia's water company, in 1995, giving an undertaking to the government to stay for five years.

SčVK covers a population of 1.1m, has majority stakes in two smaller water companies and runs an operating concession for Prague's suburbs. It is the country's most profitable water company, making Kč105m ($3.4m) profit last year on turnover of Kč1.83bn.

However, Hyder is believed to have become disappointed by the returns from its Czech operation.

Water consumption has fallen steadily because of metering and recession.

Tariffs have been set – under a government framework – by local municipalities, who have built up a 34 per cent blocking minority in SčVK and are keen to restrict further increases.

Hyder yesterday conceded that, as a minority shareholder, it was "not best placed to address the major issues" facing SčVK, and so had retained Dresdner Kleinwort Benson to investigate the possible sale of its shareholding.

Hyder is also under pressure in the UK from the introduction of the windfall tax on utility profits and the looming reassessment of tariffs by the UK water industry regulator.

The company, which has an estimated gearing of 290 per cent, finally decided that SčVK, its only foreign venture of this kind, no longer fitted its strategy.

Graham Hawker, Hyder's chief executive, said: "Our principal focus for investment will be UK private finance initiatives and specific overseas opportunities."

Antiques buff picks curio for his collection

Investors have welcomed the move, writes **Andrew Edgecliffe-Johnson**

Blakeney Management's offices by the Thames in Chelsea are decorated with exquisite African antiques which have been sought out by Miles Morland, its founder and chairman.

The emerging markets specialist applied the same discerning taste for African assets yesterday to start a long-awaited auction for Lonrho Africa.

Blakeney has made few forays into the limelight, but it has earned a name as an astute adviser for wealthy investors interested in Africa, for whom it now manages $300m (£180m). Mr Morland's view is that the "true" emerging markets are Africa and the Middle East.

Asia, Latin America and Eastern Europe, he says, are not the virgins of the investment world which most emerging market fund managers say they are, but "raddled old streetwalkers", lacking the investment opportunities available when they were first discovered, he wrote in a recent memo to Blakeney's shareholders.

Of late, the strategy has been proved right – so much so that Blakeney offered to waive half of its performance fee, which rocketed this summer as Blakeney's fund outstripped the benchmark emerging markets index.

Mr Morland's focus on the least fashionable emerging markets has given him a close knowledge of African markets and an impeccable list of contacts, including high-profile investors such as George Soros, Nick Roditi (the Soros fund manager now in control of Plantation & General) and Scudder Stevens, the US institution.

Until yesterday, Blakeney's only appearance on the UK corporate scene had been its decision last year to take effective control of African Lakes, a 120-year old collection of agricultural assets, motor distributors and business hotels.

With a 26 per cent stake, and the support of fellow shareholders Mr Soros, Scudder Stevens and British Empire Securities, Blakeney has recapitalised African Lakes, shed peripheral assets, and set out a strategy for expanding its agricultural assets in east, central and southern Africa.

African Lakes joined Blakeney in buying shares in Lonrho Africa yesterday, and Mr Morland (who sits on the African Lakes board) admitted that the company "may have an interest in some of the assets" of Lonrho Africa.

Blakeney seems likely to apply the same no-nonsense approach to Lonrho Africa as it has shown at African Lakes.

Mr Morland stopped short of saying explicitly that a break-up is on the agenda, but said "as far as we can see there are no sacred cows".

Chris Taylor, an analyst at Standard Bank, said yesterday "Blakeney can bring a lot to the party."

Lonrho Africa, he said, had been spun off from its parent at a turbulent time in its markets and "like a youngster stuck out in the storm was floundering a bit".

Mr Taylor predicted Blakeney's involvement will lead to a swapping of assets between various "African portfolio companies", such as African Lakes, Plantation & General, and Prince Al Waleed bin Talal's Saudi Africa fund.

John Clemmow of Investec gave a starker verdict of yesterday's events, saying: "For Lonrho Africa, it's over." However, Blakeney need not resort to a hostile bid even if Lonrho Africa turns down its request for board representation and a shake-up of strategy.

If it is rebuffed it should have little trouble getting its way. It would need just 10 per cent of the shares to call a shareholder meeting to vote on its proposals.

Many shareholders, who have so far seen little to support the directors' promises that they would realise the true value of its assets, sounded relieved yesterday that somebody had offered to do just that.

EURO PRICES

EQUITIES

Europe rallies ahead of testimony

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

European markets rebounded yesterday after Tuesday's losses as investors awaited testimony from Alan Greenspan, the chairman of the US Federal Reserve.

Mr Greenspan was set to testify, alongside Treasury secretary Robert Rubin, after European markets closed but the hope was that he might hint at an imminent US interest rate cut. That, together with Tuesday's strong performance by Wall Street and Latin America, gave Europe's bourses a lift.

The FTSE Eurotop 100 index gained 20.52 points, or 0.8 per cent, to 2,480.58 while the broader Eurotop 300 was 10.64, or 1 per cent, ahead at 1,080. The strongest of the three main indices was the FTSE Ebloc 100, which focuses on countries in the core euro bloc. It rose 10.56, or 1.2 per cent, to 898.5.

The breweries, pubs and restaurants sector suffered its second consecutive bad day, dropping 5.4 per cent, thanks to the UK group Bass, which fell Ecu 1.3 to Ecu 10.49 on the back of a downbeat trading statement.

Information technology was the worst performing sector, dipping 5.5 per cent. SAP fell Ecu 27.2 to Ecu 494.34 on market rumours, denied by the company, that it was about to issue a profits warning.

And healthcare had another bad day, thanks to a fall in Nycomed Amersham, down Ecu 0.3 to Ecu 5.15 in thin trading.

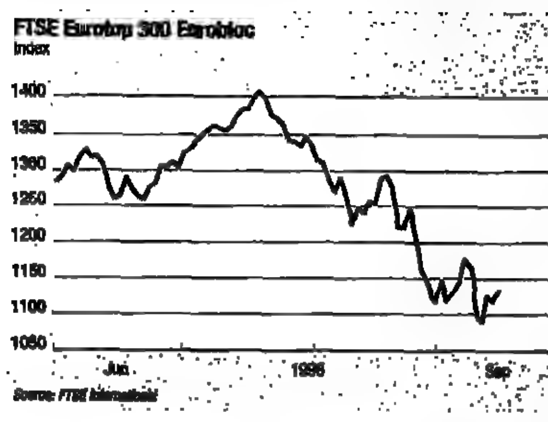
Banks and insurance stocks, generally battered on emerging market fears in recent weeks, had a good day for once.

Figures from the European strategy team at J.P.Morgan show that the best performing sectors (ex-UK) since the correction began on July 20 have been the classic defensives of pharmaceuticals, utilities and retailing.

However, a couple of non-defensive sectors – media and energy – have also held up relatively well, perhaps because they had already taken a battering.

The worst performing sector has been the banks – because of their exposure to emerging markets – followed by the classic cyclicals of chemicals, steel and engineering. However, technology's reputation for high growth has not protected it from the downturn.

FTSE Eurotop 300 Eurobloc



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

[illegible]

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

[illegible]

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

[illegible]

OTHER INDICES

[illegible]

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 16 National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Ecu)
FTSE Eurotop 300	1080.00	+0.99	+10.64	2.63	22.78	1109.21
FTSE Eurotop 100	2480.58	+0.83	+20.52	2.60	34.08	886.97
FTSE Ebloc 100	898.50	+1.19	+10.56	2.25	14.09	911.06

FTSE Eurotop 300 Regions; FTSE Eurotop Industry Sectors: [illegible]

FTSE EUROTOP 300

[illegible]

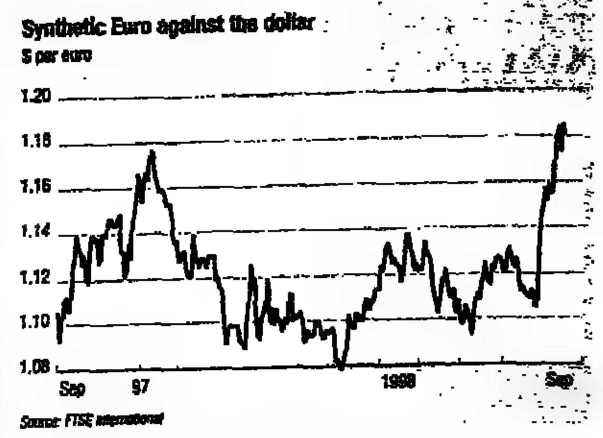
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 15	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.080100	−0.0003	+0.00	−0.0012	−0.01
Belgium	BEF	41.220298	−0.0103	−0.02	−0.0167	−0.04
Czech Republic	CZK	35.997434	+0.1583	+0.44	+0.8084	[illegible]
Denmark	DKK	7.621390	+0.0142	+0.19	−0.0036	−0.05
Finland	FIM	6.083373	−0.0004	−0.01	+0.0051	+0.08
France	FRF	6.699883	+0.0002	+0.00	−0.0017	−0.03
Germany	DEM	1.998179	−0.0001	−0.01	−0.0002	−0.01
Greece	GRD	343.196502	+0.5804	+0.17	+1.5231	+0.45
Hungary	HUF	259.538283	+0.8517	+0.33	+2.9047	+1.13
Ireland	IEP	0.788324	−0.0001	−0.02	+0.0011	+0.14
Italy	ITL	1973.720418	+0.4265	+0.02	+0.8028	+0.04
Luxembourg	LUF	41.220298	[illegible]	−0.02	−0.0167	−0.04
Netherlands	NLG	2.253430	−0.0004	−0.02	−0.0018	−0.08
Norway	NOK	8.911975	+0.0242	+0.27	−0.0560	−0.62
Poland	PLN	[illegible]	+0.0352	+0.84	+0.0809	+1.54
Portugal	PTE	204.780822	−0.0226	−0.01	+0.2367	+0.12
[illegible]	ROL	10731.153116	+97.9472	[illegible]	+277.4530	+2.65
Russia	RUB	13.029030	−2.9971	+29.88	−11.9363	−47.91
Slovakia	SKK	[illegible]	+0.1649	+0.40	+0.3868	+0.95
Spain	ESP	169.703119	−0.0063	+0.00	+0.0684	+0.04
Sweden	SEK	9.174688	−0.0673	−0.73	−0.0155	−0.17
Switzerland	CHF	1.649831	+0.0021	[illegible]	+0.0129	[illegible]
United Kingdom	GBP	0.707713	+0.0079	+1.14	+0.0103	+1.46
ECU	ECU	1.017367	+0.0008	+0.08	+0.0019	[illegible]
Americas						
Brazil	BRL	1.396238	[illegible]	+0.87	+0.0371	+2.73
Canada	CAD	[illegible]	+0.0040	+0.22	+0.0167	[illegible]
Mexico	MXN	[illegible]	−0.2676	−2.17	+0.2729	+2.31
United States	USD	1.184457	+0.0111	+0.95	+0.0287	+2.48
Pacific/Middle East/Africa						
Australia	AUD	[illegible]	+0.0171	+0.88	+0.0301	+1.53
Hong Kong	HKD	9.176346	+0.0884	+0.97	+0.2197	+2.45
Japan	JPY	157.243629	+1.1262	[illegible]	+4.3604	+2.85
Singapore	[illegible]	2.042597	+0.0081	[illegible]	+0.0472	+2.37
South Africa	ZAR	7.284412	−0.0195	−0.27	+0.0809	+1.12

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0157.

Synthetic Euro against the dollar



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

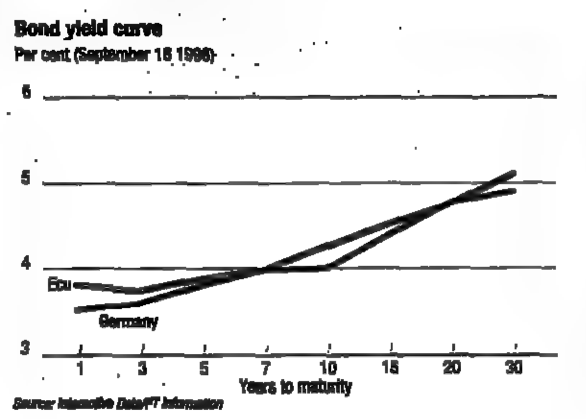
Bilateral conversion rates against the D-Mark

Sep 16	Fixed rate	Market rate	Diff fxd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0365	+0.01	+0.01	[illegible]	3.55	+0.07
Belgium	20.6255	20.6307	+0.03	+0.05	20.6336	3.53	+0.05
France	3.35386	3.3548	+0.03	+0.10	3.3553	3.53	+0.05
Finland	3.04001	3.0451	+0.17	+0.09	3.0457	3.55	+0.07
Ireland	0.402676	0.3998	−0.71	−0.85	0.4019	5.3	+1.82
Italy	990.002	987.8532	−0.22	−0.28	991.8199	4.87	+1.39
Luxembourg	20.6255	20.6307	+0.03	+0.05	20.6336	3.53	+0.05
Netherlands	1.12674	1.1279	+0.10	+0.29	1.1275	3.36	−0.12
Portugal	102.505	102.4885	−0.02	−0.01	102.6747	4.11	+0.63
Spain	85.0722	84.9184	−0.18	−0.19	85.1083	4.25	+0.77
Germany	1		+0.00	+0.00		3.48	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3, forward rates are exchange rates to 31/12/98 interpolated from market quotes, forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98; DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

Sep 16	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	N/A	110.850	4.31	+0.00	−0.37	+0.05
France (Rep of)	04/08	5.250	N/A	108.320	4.18	+0.02	−0.38	−0.08
Italy (Rep of)	05/08	5.000	AA	104.280	4.45	+0.02	−0.25	+0.19
Portugal (Rep of)	06/08	5.375	AA−	107.020	4.47	+0.07	−0.25	+0.21
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.370	4.02	+0.05	−0.25	+0.13
Gen Electric Cap Crp	10/04	5.500	AAA	107.590	4.08	+0.05	−0.33	+0.16
Oest Kontrollbank	04/08	5.250	AAA	105.910	4.48	+0.03	−0.18	+0.22
Cred Local de France	04/08	5.250	AA+	104.530	4.65	+0.03	−0.20	+0.39
Ecu Issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA−	102.723	3.95	+0.06	−0.25	+0.20
Cred Foncier France	03/04	8.375	A	118.170	4.65	+0.04	−0.38	+0.65
Euro Inv Bank	04/04	5.250	AAA	106.130	3.99	+0.12	−0.28	+0.08
ABN Amro Hldg. NV	04/07	6.375	AA−	110.124	4.90	+0.02	−0.06	+0.72

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Ecu "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Sep 16	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
[illegible]	−0.03	+0.05	[illegible]	+0.02	−0.20	+0.10
Belgium	−0.06	+0.01	[illegible]	+0.08	+0.09	+0.02
Finland	−0.23	+0.04	+0.16	+0.17	[illegible]	−0.68
France	−0.13	−0.11	−0.09	−0.05	−0.04	−0.17
Germany	−0.18	−0.08	+0.00	−0.28	+0.01	−0.20
Ireland	+0.44	−0.12	+0.02	+0.12	+0.22	+0.49
Italy	+0.31	+0.28	+0.30	+0.28	+0.20	+0.26
Luxembourg	−0.06	+0.01	+0.10	+0.08	+0.09	[illegible]
Netherlands	−0.11	−0.02	[illegible]	−0.08	[illegible]	−0.15
Portugal	+0.00	+0.12	+0.20	+0.18	+0.50	+0.32
Spain	−0.04	+0.12	+0.22	+0.27	+0.24	+0.28
"Outs"						
Denmark	+0.72	+0.54	+0.58	+0.43	+0.33	+0.56
Greece	+6.21	+5.80	+4.75	+3.99	+2.94	+2.80
Sweden	+0.55	+0.59	+0.63	+0.50	+0.47	+0.13
UK	+2.29	+1.45	+1.28	+0.73	+0.30	−0.27

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 16	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.12	+0.04	+0.02
France Telcom	AA+	11/08	6.250	FRF	+0.21	+0.19	+0.14
Halifax	AA	07/07	5.625	DEM	+0.32	+0.27	[illegible]
Ing Bank NV	AA−	01/08	5.500	NLG	+0.17	+0.20	+0.17
Bayer Hypo W Bk	AA−	02/02	6.750	ITL	+0.29	+0.27	+0.34
Cred Foncier	A	02/03	7.250	DEM	+0.51	+0.49	+0.31
Thomson-Brandt Int	A−	03/04	6.375	FRF	+0.40	+0.41	+0.42
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.34	+0.35	+0.33
Bank of China	BBB	07/99	7.125	DEM	+2.79	+3.18	+1.62
Natl Bk of Hungary	BBB−	05/01	9.000	ATS	+1.83	+1.16	+0.97
Korea Dev Bank	BB+	11/02	5.625	FRF	+9.64	+9.82	+6.50
Argentina	BB	04/08	8.125	XEU	+8.17	+8.35	+3.74

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

BANKING PAYMENT SYSTEMS

Banks at odds over euro payments

Intense competition, overcapacity and increasingly tight deadlines are a recipe for chaos, writes **George Graham**

Across many segments of the market, the task of preparing for monetary union has appeared so daunting that financial institutions have buried the hatchet and worked together to try to make sure that nothing goes wrong.

But in the payments business, where the euro will bring dramatic changes, the competitive juices are running furiously, not just between banks but also between their payments systems.

The potential for chaos is considerable. Next year, a euro payment could theoretically be directed to any one of almost 30 separate payment systems, and few banks have yet issued the Standard Settlement Instructions to all their trading partners to tell them where they wish to receive their payments in euros.

"Every bank will need to put in place Standard Settlement Instructions and specify their preferred settlement agent for the euro by the end of this month or they could face the prospect of funds not arriving in the right place at the right time," said Jolyon Larkman, managing director of institutional banking at Barclays Bank in London.

Some large trading banks say they have sent out their Standard Settlement Instructions, but most say they have only received a handful back from their counterparties.

At the heart of the euro payments system lies the Target network built by the European Central Bank. It connects payment systems in each EU country through national central banks.

But Target is not the only system competing for payments volume. Indeed, it has quickly become clear that it will be one of the more expensive euro payment options, and that it is likely to capture only a small portion of bank payments.

Among the competitors are national real time gross settlement (RTGS) systems linked to Target, such as France's TBF or the UK's Chaps-Euro, which can offer immediate guaranteed payment and, if they win enough members, could allow banks to cut out the costs involved in transfers through Target.

On the other side stand net payment systems such as the Frankfurt EAF system or the Euro Banking Association's euro clearing system, which will allow member banks to tot up all the euros they owe and are owed, settling up with a single daily payment.

While net systems do not offer immediate finality, they are much cheaper to use because banks do not have to put up the collateral to cover all their payments to and fro during the course of the day.

All of these systems will be pitching for business at the annual Sibos convention, bringing together banks belonging to the Swift financial message network, in Helsinki next week.

But they all face the spectre of massive overcapacity in the European payments industry.

Nick Viner, a vice-president at Boston Consulting Group, estimates that there are currently about 320,000 high value payments a day in the 11 countries that are entering monetary union.

Germany's EAF, the UK's Chaps Euro, France's TBF and the EBA's own clearing system are between them adding enough capacity to handle another 744,000 payments a day. EAF alone could theoretically handle the whole of current demand for high value payments, Mr Viner said. On top of that are the other national RTGS systems that each country is required to build to connect to Target, nine of which Mr Viner expects not to be commercially viable.

Target will be one of the more expensive euro payment options and it is likely to capture only a small portion of bank payments

All of these systems represent essentially fixed-cost businesses. Once the initial investment has been made, additional running costs are minimal: a classic recipe for a price war as each tries to win members to fill its capacity.

On the other hand, most of these systems are required by their constitutions to charge banks on the basis of full cost recovery.

Already, the prices are dropping. The ECB, which had expected to charge E1.50-E3.00 for a Target payment, has already had to cut its bottom price to E0.80 for medium-volume users. Pricing for Chaps-Euro is expected to come out at about 15p a payment, with EAF charging about DM0.30.

EBA board members are meeting in Madrid this week to finalise their tariff and are expected to come out in the E0.15-E0.30 range. On cost grounds, the bulk of the payments of the biggest banks is expected to be channelled through EAF or EBA, with EBA having the advantage for some banks of being politically neutral.

ECB officials claim the argument that Target will be too expensive has been over stated. "Assuming that alternative systems have a cost of about 20 eurocents, the opportunity cost of using Target would be about E180 per day. Let's be serious!" scoffed Jean-Michel Godeffroy, director-general of payment systems at the ECB.

But high volume payments banks may be charging their customers only about E1.50 for a payment, so using Target, at E0.80, would give away more than a third of their margin.

Mr Godeffroy still has some weapons up his sleeve. For a start, the ECB and national central banks will require banks to use Target for domestic money market transactions. They will also urge banks to use Target for very high value payments, though the definition of "very high value" remains open for discussion. But for the moment, he shies away from using all the force at the ECB's disposal.

"Although this possibility cannot be ruled out, we prefer to convince rather than to compel."

Some large international banks such as J.P. Morgan and Chase Manhattan caused a degree of panic last year by announcing that they planned to convert all their euro-zone accounts to euros by the end of 1999. Not all of their counterparties will be ready to make payments in euros so quickly.

But Susan Kirchhoff, who heads Morgan's Emu project, says the fact that Morgan's account is in euros does not stop counterparties from making payments to it in other euro-zone currencies.

"Take the US dollar and pretend that's the euro, then the D-mark is a quarter and the French franc is a nickel. That's all it is. Our bankers know they take whatever currency they get and put it in our euro account."

But many other bankers remain cautious, and plan to wait until at least the second half of next year before consolidating their national currency accounts into a single euro account, by which time most of their transactions in these currencies will have matured.

Cross border payments from Europe

Payment type	Retail 1995 $bn	Retail 2005 $bn	Retail CAGR 95-05 %	Wholesale 1995 $bn	Wholesale 2005 $bn	Wholesale CAGR 95-05 %
	101	281	10.7	82,848	173,282	7.7
To Europe	93	257	10.7	53,938	113,088	7.7
To Americas	5	15	10.7	17,355	36,387	7.7
To Asia	3	9	10.7	11,355	23,807	7.7

Source: Boston Consulting Group

Rough patch ahead for par value shares

A manager's guide to the Euro

Why will share values be affected by the introduction of the single currency?
Most European companies have shares with a designated "par value" of some nominal sum, say DM5 or £1. This value is mainly significant for accounting and legal purposes; it has virtually no relationship with the market value of shares. When the euro is introduced, the old currencies will disappear. So these par values will have to be translated into euros.

Sounds easy enough. What is the problem?
Par values tend to be designated as nice round, or at least whole, numbers. The conversion into the euro will create a lot of untidy fractions and decimal points.

So what?
It makes life rather complicated. How many decimal points will you use? What about share certificates that are denominated in the old currency? Will they all have to be exchanged for new ones? And will companies have to go through the time-consuming process of redenominating the shares to achieve a round number euro figure?

Is there a solution?
One approach is to make all shares have a nil par value. That would eliminate the mathematical problem, since a share worth nil in one currency is also worth nil in another. Germany has already changed its law to allow companies to do this and BASF has switched its DM5 and DM50 shares into no par value stock. BASF said that "unwelcome capital redenominations that would have been required to achieve round par values of shares after the conversion to the euro will no longer be necessary". Existing DM-denominated share certificates will remain in circulation. But Leslie Gunde, head of the Emu unit at KPMG, the accountants, says no other countries are yet following the German route. Companies will simply re-denominate their shares in euros. Belgium and Luxembourg already have their own variant on the system, in which shares have their own "accountable value" that automatically adjusts when new shares are issued. This variant, which is permitted under the European Union's Second Company Law Direction (issued in 1976), should be able to cope with the euro change.

What about Britain?
The issue is particularly complicated in Britain. For a start, no-one has any idea whether or when Britain is likely to join up for the euro. Secondly, company law makes it quite a complex procedure for UK companies to alter their share capital.

One possibility suggested by the Department of Trade and Industry is for companies to cancel their existing share capital and then re-issue euro-denominated shares. But the Law Society says such a procedure "will be relatively slow and expensive and, if used on a wide scale, is likely to create insuperable problems for an already busy Companies Court".

What about creating nil par value shares?
UK company law does not allow this at the moment. Companies issue shares with a nominal par value; if the price for the shares is higher than par, the excess goes into a share premium account on the balance sheet, which gives the company a certain accounting flexibility. But if that obstacle could be overcome, a shift to a nil par value system could have a number of advantages. A recent Bank of England paper on the euro* cited a number of reasons:

- It would avoid the complication that can result from giving a share a fixed nominal value that is unconnected with its true market value. Its simplicity would make it more intelligible to less sophisticated investors and avoid misunderstanding.
- It would simplify the system of share capital maintenance by removing the distinction between the par value and the issue price of a share and also the largely artificial distinction between "nominal share capital" and "share premium".
- It would give greater flexibility in arranging a company's capital structure.
- Par value is an historical concept that many commentators believe has largely lost its significance under English Law. Protection of shareholders and creditors is available by other means. However, there could be significant legal problems. The Law Society pointed out in its response to the DTI that conversion of existing shares into a no par value system "may affect or render ineffective provisions in share rights or in other contracts and documents which refer to, or operate by reference to the par value".

How about the Belgian approach?
Both the Bank of England and the Law Society think that the accountable value approach would be of little help. "We think that it would be likely to lead to complication and confusion," says the Law Society. And it would require "substantial amendment not only to the Companies Act but also to Accountancy Standards, the combination of which would be wholly disproportionate to whatever comparatively minimal benefit was achieved".

**Practical Issues Arising from the Introduction of the euro*

Philip Coggan

Comments about the weekly Business and the Euro page can be sent by e-mail to: international.companies@ft.com

Treasuries unmoved by Greenspan speech

GOVERNMENT BONDS

By Khozem Merchant in London and John Labate in New York

European markets closed with modest gains yesterday in quiet trading, as investors stayed on the sidelines awaiting a keynote address from *Alan Greenspan, chairman of the US Federal Reserve.*

Many investors had hoped that Mr Greenspan would give a clearer sign of the Fed's willingness to reduce short-term interest rates, through the Federal Funds rate, in the midst of turmoil in emerging markets.

In the event, Mr Greenspan's prepared remarks to the House banking committee did little to suggest such a cut was *imminent* and little to change the tone of US trading by early afternoon.

"It did not contain any reference to monetary policy," said Kevin Logan, senior market economist at *Dresdner Kleinwort Benson.* "As far as the bond market is concerned it was a non-event."

By early afternoon the 30-year *US TREASURY* was up $\frac{3}{16}$ to $103\frac{23}{32}$, sending the yield down to 5.248 per cent. The 10-year note was off $\frac{1}{16}$ at $105\frac{7}{8}$, yielding 4.918 per cent *while the two-year note was* $\frac{1}{8}$ lower at $100\frac{13}{32}$, yielding 4.801 per cent.

Earlier this month Mr Greenspan had suggested for the first time that Fed policymakers may be prepared to give greater consideration to global economic turmoil in the making of US monetary policy.

That led many to expect an interest rate cut could be on the way as soon as the next Federal Open Market *Committee meeting on September 29.*

"We have had a shift, with a growing body of people feeling that way," added Mr Logan. "In July, there was a majority of people who thought the Fed's next move *would be to tighten.*"

The most telling remark came after Mr Greenspan's prepared speech. During a question and answer period, *Mr Greenspan played down* speculation that has been widespread in US markets about co-ordinated intervention. "At the moment, there is no endeavour to co-ordinate interest rate cuts," Mr Greenspan said.

The most noticeable reaction to the Greenspan speech came in the US equity market, where a morning rally turned to losses during the testimony. The move appeared to confirm that the US bond market would continue to trade near historic low yields.

"The bond market is clearly the only true invest*ment choice right now, since* it is totally unclear how our stocks are going to fare under global turmoil," said Dennis Hynes, chief investment strategist at R.W. Pressprich in New York.

European markets moved *mostly sideways ahead of* Mr Greenspan's testimony, as global concerns outweighed domestic data. One bit of cheer came from the Bundesbank and the European Central Bank, which suggested Europe was coping well with the crisis in the emerging markets.

However, the likelihood of co-ordinated cuts in interest rates from the US, Japan and Germany became even more distant after three senior members of the Bundesbank council reaffirmed the hawkish position of Hans Tietmeyer, Bundesbank president, who earlier this week said that lower rates would be inappropriate.

The diminishing prospect of rate cuts was the backdrop to moderate losses in *GERMAN BUNDS.*

The December futures contract was trading at 113.48, down 0.25 in a moderate session on the Deutsche Terminbörse, with 456,000 contracts changing hands.

Analysts said the German *market* was *more* vulnerable to external shocks, such as a negative reaction to Mr Greenspan's comments or the prospect of the emerging *market contagion spreading* to Latin America.

Other European markets moved with bunds, with interest rate movements a concern throughout the region. The Irish central bank, seeking to cool an extremely hot economy, insisted it would not cut rates *until the last possible* moment before entering monetary union.

UK GILTS closed higher after August average earnings figures for June showed a continuing decline, reinforcing the belief that interest rates have peaked.

The December gilt future *settled 0.11 higher at 114.14,* but drifted in after-hours trading to touch 114.02 amid investor nervousness ahead of Mr Greenspan's comments. In the cash market, the yield on 10-year gilts ended at 5.12 per cent, with the spread over 10-year bunds at 114 basis points compared with 121 points earlier this week. Turnover on Liffe was 61,000 contracts.

June's average earnings growth was 4.7 per cent, down from 5 per cent in May, while the preliminary figure for July showed a rise *of 4.3 per cent. That is below* the 4.5 per cent level required if the government's inflation target of 2.5 per cent is to be met.

David Brown, senior European economist at Bear Stearns, said the fact that earnings rises were coming into line with official infla*tion targets* was *encouraging.* "This is better than expected and should be a good trigger for the rate cut," he said, adding that the *bias at the Bank of England* against a loosening of monetary policy was changing.

Mr Brown said a cut in UK interest rates was now very likely, most probably in the fourth quarter.

INITIAL PUBLIC OFFERING INTERNET TECHNOLOGY GROUP BRAVES MARKET TURMOIL

Brokat Infosystems valued at DM523m

By Graham Bowley in Frankfurt and Vincent Boland in London

Brokat Infosystems, a German maker of internet banking technology, was val*ued yesterday at DM523m* ($310m) after shares in its initial public offering were valued at DM64 each ahead of its listing on the Neuer Markt in Frankfurt today.

Brokat is one of the few companies to brave current market turmoil to proceed with a listing. Many IPOs have fallen victim to the volatility in prices caused by the emerging markets crisis.

Paternina, a Spanish wine maker, barely held its issue price when it listed in Madrid yesterday, casting doubt on the health of one of Europe's most active new issues markets.

In the US, the world's busiest IPO market, no new issues have reached the mar*ket for two weeks. The latest* to be postponed yesterday was Galacticomm Technologies, which is to be reviewed on a day-to-day basis and is likely to come the moment stock markets settle down.

Paribas, one of two lead managers for the Brokat issue, said the share offering, which raised DM141m for selling shareholders, was 24 times subscribed.

Some 30 per cent of the deal was allocated to retail investors in Germany, while domestic and international institutional investors were allocated 70 per cent.

The selling price of DM64 a share was at the top end of the indicative range of DM53-DM64 agreed earlier *this month, although the* range had been cut from an expected DM61-DM70 earlier due to concerns about equity markets. Brokat is the 50th company to be listed on the Neuer Markt since it was set up last year.

The outlook for many other small and medium IPOs in the short term is uncertain, however.

Parc Group, an Irish group that provides contract staff, said yesterday it had put off its listing and would revisit its plans for a flotation when market conditions were more favourable.

Bankers said IPOs that did not offer liquidity or were price-sensitive had little hope of attracting interest in *the current climate.*

"Investors don't want small issues; it's as simple as that," said one London-based banker specialising in bringing companies to market.

The withdrawal of second-tier IPOs is focusing more attention on some big issues that are due to be completed in the next few weeks.

The three biggest imminent flotations are of Swisscom; DoCoMo, the Japanese mobile phone company; and Goldman Sachs, the US investment bank.

Russian debt rating downgraded again

By Edward Luce

Standard & Poor's yesterday added to Russia's gloom by further downgrading its sovereign debt rating. Russia is *now rated at CCC, while its* short-term foreign currency rating is only C.

S&P warned of the severe inflationary pressures likely to result from the Russian central bank's intention to settle the country's huge wage arrears by printing roubles. It also noted that Russia was starting to default on its Paris Club commitments, which are generally considered the safest type of debt obligation.

"The local financial payments system has been virtually paralysed," said S&P. "*Meaningful structural* reforms appear to be off the agenda, at least for now."

The agency also downgraded the sovereign rating of Kazakhstan by one notch to single B plus.

Kazakhstan had been badly affected by the deteriorating global environment, particularly through the collapse in commodity prices given its dependence on revenues from commodity exports, it said.

The effect of the global turmoil on Kazakhstan's foreign exchange and treasury bill markets had reduced foreign exchange reserves for the currency, the tenge, to just $1.3bn, said S&P.

NEWS DIGEST

MOZAMBIQUE

First private equity fund to be launched today

The first private equity fund for Mozambique, backed by the UK's Commonwealth Development Corporation and Banco Mello of Portugal, is to be launched today with $19m of capital. Mozambique is one of the world's poorest countries following two decades of civil war and Communist rule, but has begun to attract substantial foreign investment since a peace deal between the government and the rebels and the introduction of free market policies. The World Bank estimates real gross domestic product will *grow 10 per cent this year.*

The fund, called the Mozambique Investment Company (Minco), will make equity investments of between $250,000 and $2.5m in various businesses, including those in the construction, tourism, agricultural processing and financial services sectors. *Minco will initially finance expansion and* modernisation of existing businesses and management buy-outs arising from privatisations or disposals by foreign companies. Later, it may finance the start-up of new Mozambican companies as the economy expands.

The fund's backers are undeterred by the turmoil in more developed emerging markets. "We're confident about Mozambican growth and the opportunities that lie here," said Rajesh Morjaria, Minco investment executive. "It's not hot money, it's not speculative capital. It's long-term com*mitted money.*"

CDC, which manages private equity funds in eight other African countries, is putting in $5m, as is Banco Mello, which has a stake in Banco Comercial de Moçambique, the country's biggest commercial bank, and is expected to introduce business partners to Minco. The other backers are Norfund, Swedfund, Proparco and DEG – the development finance arms of the Norwegian, Swedish, French and German governments – and Sanlam, the South African life assurance and asset management group.

Victor Mallet, Johannesburg

RUSSIA-LINKED BONDS

TDK warns of redemption delay

TDK, the Japanese electronics group, said yesterday there may be a delay in the redemption of its holdings of bonds linked to short-term Russian government bonds. The com*pany said in a statement that the book value of its hold*ings of such bonds, which were scheduled to fall due on September 28, was Y16.3bn.

TDK said the possible delay was due to an earlier decision by the Russian government to delay redemption of its bonds. The company *said it would* avoid a *negative impact* on its earnings through *measures* that included selling off the Russia-linked bonds.

The bonds were issued by Paris-based Crédit Agricole Indosuez, the corporate and investment banking subsidiary of Crédit Agricole. **Reuters, Tokyo**

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 16	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.4323	4.84	−0.04	−0.30	−0.42	+0.11
	08/08	8.750	126.4788	5.28	−0.02	−0.24	−0.29	−1.03
Austria	07/00	5.875	103.7800	3.88	+0.05	+0.06	−0.22	−0.65
	01/08	8.000	105.3100	4.28	+0.01	−0.07	−0.33	−1.36
Belgium	01/00	4.000	100.5200	3.58	+0.06	−0.05	−0.19	−0.45
	03/08	5.750	110.9800	4.31	–	−0.11	−0.37	−1.38
Canada	03/00	5.000	99.6800	5.23	+0.05	−0.18	−0.07	+1.29
	06/08	6.000	105.3700	5.28	–	−0.18	−0.29	−0.51
Denmark	11/00	9.000	109.1100	4.44	+0.05	+0.09	+0.23	−0.22
	11/07	7.000	117.0000	4.67	+0.05	−0.03	−0.09	−1.53
Finland	01/99	11.000	102.3822	3.04	–	−0.11	−0.39	−0.98
	04/08	6.000	112.1100	4.42	+0.02	−0.10	−0.23	−1.42
France	01/00	4.000	100.5800	3.54	+0.04	+0.01	−0.23	−0.56
	04/05	7.500	120.7700	3.96	+0.03	−0.08	−0.42	−1.29
	04/08	5.250	108.3200	4.18	+0.02	−0.11	−0.39	−1.34
	04/29	5.500	108.5700	4.96	−0.01	−0.08	−0.29	−1.23
Germany	03/00	4.000	100.6400	3.54	+0.18	+0.17	−0.10	−0.43
	10/05	6.500	118.1600	3.99	+0.03	−0.08	−0.37	−1.25
	01/08	5.250	109.1500	4.05	+0.02	−0.11	−0.41	−1.56
	01/28	5.625	110.8400	4.92	−0.01	−0.08	−0.21	−1.33
Ireland	10/01	6.500	107.4000	3.93	+0.02	−0.01	−0.41	−1.50
	08/08	6.000	112.7800	4.38	−0.01	−0.13	−0.33	−1.74
Italy	04/01	4.500	101.4100	3.90	+0.03	+0.01	−0.32	−1.83
	05/03	4.750	102.8100	4.07	+0.04	–	−0.34	−1.61
	05/08	5.000	104.3000	4.44	+0.02	−0.11	−0.29	−1.79
	11/27	6.500	118.1800	5.27	–	−0.02	−0.06	−1.57
Japan	03/00	6.400	109.1800	0.23	+0.03	−0.15	−0.21	−0.28
	06/03	4.500	116.2600	0.58	–	−0.21	−0.32	−0.90
	09/05	3.000	114.8600	0.81	−0.02	−0.25	−0.41	−1.21
	03/18	2.700	118.5400	1.54	−0.01	−0.34	−0.52	−1.20
Netherlands	05/00	9.000	108.4100	3.82	+0.13	+0.08	−0.19	−0.49
	07/08	5.250	108.4000	4.19	+0.04	−0.10	−0.38	−1.38
New Zealand	02/01	8.000	104.4361	5.94	+0.06	−0.16	−0.83	−1.20
	11/06	8.000	112.5350	6.03	−0.02	−0.24	−0.25	−0.81
Norway	01/99	9.000	100.2500	7.83	+0.03	+0.28	+2.20	+3.28
	01/07	6.750	108.5000	5.45	+0.02	−0.07	+0.17	−0.47
Portugal	03/00	5.375	102.5200	3.60	+0.03	−0.02	−0.43	−1.81
	06/08	5.375	107.3100	4.43	−0.01	−0.15	−0.34	−1.72
Spain	04/00	6.750	104.4700	3.73	+0.12	+0.10	−0.29	−1.15
	01/08	6.000	111.7600	4.43	+0.01	−0.10	−0.29	−1.60
Sweden	05/00	10.250	109.1510	4.24	+0.05	−0.01	+0.02	−0.60
	05/08	5.500	113.3160	4.74	+0.04	−0.07	−0.02	−1.70
Switzerland	03/00	5.000	104.8700	1.61	+0.06	+0.01	−0.33	−0.15
	06/07	4.500	113.5000	2.74	+0.06	+0.05	−0.02	−0.84
UK	11/01	7.000	103.5547	5.74	–	−0.19	−0.56	−0.97
	12/03	6.500	105.2313	5.33	+0.01	−0.17	−0.53	−1.27
	12/07	7.250	115.7813	5.08	−0.02	−0.18	−0.51	−1.63
	12/28	6.000	118.2500	4.84	−0.04	−0.19	−0.49	−1.81
US	05/00	5.500	101.0684	4.83	+0.04	−0.03	−0.51	−0.97
	05/03	5.500	102.8854	4.79	+0.03	−0.08	−0.58	−1.30
	05/08	5.625	105.5517	4.89	+0.01	−0.08	−0.51	−1.21
	11/27	6.125	111.6874	5.33	−0.01	−0.02	−0.28	−1.08
ECU	07/00	4.000	100.5100	3.70	+0.04	–	−0.26	−0.81
	04/08	5.250	107.8800	4.23	+0.01	−0.10	−0.36	−1.59

London closing. *New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Sep 16	Bid Yield	Spread vs Bonds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.27	+1.27	+0.38	New Zealand	6.03	+2.03	+1.14
Austria	4.28	+0.28	−0.61	Norway	5.35	+1.35	+0.46
Belgium	4.34	+0.34	−0.55	Portugal	4.44	+0.44	−0.45
Canada	5.28	+1.28	+0.39	Spain	4.53	+0.53	−0.36
Denmark	4.69	+0.69	−0.20	Sweden	4.76	+0.76	−0.13
Finland	4.43	+0.43	−0.46	Switzerland	2.94	−1.06	−1.95
France	4.20	+0.20	−0.69	UK	4.99	+0.99	+0.10
Germany	4.00	–	−0.89	US	4.89	+0.89	–
Ireland	4.38	+0.38	−0.51	ECU	4.26	+0.26	−0.63
Italy	4.51	+0.51	−0.38				
Japan	1.00	−3.00	−3.89				
Netherlands	4.18	+0.18	−0.71				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Sep 16	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	96.4777	8.20	−0.86	+0.08	+3.50
Poland	07/04	7.125	BBB−	94.4909	8.35	−0.27	+1.87	+3.61
Russia	06/07	10.000	CCC	20.8750	0.00	–	−25.93	[illegible]
LATIN AMERICA								
Argentina	09/27	9.750	BB	78.3440	12.56	−1.50	+1.03	+7.34
Brazil	05/27	10.125	BB−	62.7500	16.24	−1.92	+2.66	+11.02
Mexico	05/26	11.500	BB	98.2500	11.95	−1.31	[illegible]	+6.75
ASIA								
China	07/06	7.750	BBB+	93.6590	8.90	+0.05	+1.35	+4.09
Philippines	10/16	8.750	BB+	71.0000	12.94	−0.38	+2.29	+7.91
Thailand	04/07	7.750	BBB−	73.4493	12.97	−0.75	+2.39	+8.12
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	100.7769	8.63	−0.86	+0.65	+3.88
South Africa	10/06	8.375	BB+	85.0000	11.30	+0.62	+2.22	+6.49
Turkey	09/07	10.000	B	80.2500	13.99	−1.30	+2.86	[illegible]
BRADY BONDS								
Argentina	03/23	5.750	BB	65.1250	9.75	−0.75	+0.62	+4.60
Brazil	04/14	5.000	BB−	62.8750	13.06	−1.27	+0.63	+8.07
Mexico	12/19	6.250	BB	72.7500	9.19	−0.50	+0.71	+4.11
Venezuela	03/20	6.750	B+	62.0000	11.58	−0.53	+0.89	+6.48

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	–	109.75	–	–	–	–	–
Dec	109.54	109.54	−0.06	109.60	109.24	98,824	110,130

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
103	6.25	6.25	6.25	–	–	0.01
104	5.25	5.25	5.25	–	–	0.02
105	4.25	4.25	4.28	–	0.01	0.05
106	3.25	3.28	3.27	–	0.05	0.14

Est. vol. total, Calls 2,065 Puts 2,798. Previous day's open int., Calls 57,111 Puts 59,176

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	113.58	113.60	−0.13	113.50	113.35	24	5218
Mar		112.27	−0.13			0	0

■ NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	113.59	113.48	−0.22	113.67	113.37	469,179	580,884
Mar	113.77	113.87	−0.17	113.87	113.72	715	8,763

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11350	0.42	0.86	1.13	0.32	0.75	1.93
11400	0.20	0.62	0.88	0.60	1.02	1.29
11450	0.08	0.43	0.68	0.98	1.33	1.59

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.09	107.84	−0.20	108.09	107.79	285,250	259,258
Mar		107.47	−0.27			600	451

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.95	110.62	−0.23	111.04	110.75	18977	83285
Mar	110.91	110.62	−0.21	110.81	110.81	50	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11050	0.90	0.76	0.06	0.36
11100	0.70	0.51	0.28	0.59
11150	0.45	0.35	0.63	0.83

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep		113.65				48,355	22,253
Dec	114.61	114.71	−0.15	114.78	114.52	57,076	84,682

UK

■ NOTIONAL 5 YEAR UK GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep		106.40	−0.03			0	551
Dec	106.52	106.53	−0.05	106.52	106.52	2	1664

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.55	113.82	−0.11	113.86	113.55	88	4959
Dec	113.64	114.14	+0.11	114.30	113.71	69675	148004

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11400	0.51	1.02	1.30	0.37	0.88	1.16
11450	0.29	0.79	1.08	0.65	1.15	1.44
11500	0.15	0.60	0.88	1.01	1.48	1.74

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	127-31	127-30	–	129-03	127-22	18,080	59,574
Dec	127-24	127-24	+0-01	127-29	127-15	441,336	704,872
Mar	127-09	127-12	–	127-13	127-08	105	66,853

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	138.05	138.17		138.20	138.03	88	na
Mar	137.22	137.33		137.33	137.22	258	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	–	107.86	−0.12	–	–	–	–

US CORPORATE BONDS

Sep 16	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	105.3[illegible]	5.64	+0.02	−0.38	+0.98
NY Tel	08/25	7.00	A+	102.0353	6.83	+0.01	−0.14	+1.58
CWE	05/08	8.60	BBB	113.3998	6.13	+0.02	−0.32	+1.25
FINANCIALS								
GECC	05/07	8.75	AAA	119.9808	5.78	+0.02	−0.30	+0.90
Banc One	08/02	7.25	A+	105.5382	5.83	+0.01	−0.40	+0.95
Media One	01/07	7.30	BBB	106.3711	6.30	+0.03	−0.15	+1.42
INDUSTRIALS								
WMX Tech	04/99	8.25	BBB+	100.1286	5.98	+0.05	−0.09	+1.41
Wal Mart	05/02	6.75	AA	105.0323	5.21	+0.01	−0.58	+0.53
[illegible]	06/21	9.70	BBB+	134.0842	6.74	+0.02	+0.06	+1.49
AGENCIES								
FHLMC	04/07	7.14	AAA	111.5720	5.43	+0.02	[illegible]	+0.55
SLMA	03/00	7.50	AAA	103.2452	5.18	−0.01	−0.42	+0.47
FNMA	02/18	8.95	AAA	136.0182	5.82	+0.01	−0.22	+0.57
FFCB	06/06	8.95	AAA	122.1278	5.40	+0.03	−0.34	+0.52
HIGH YIELD								
Stone Cont	02/01	9.88	B	95.8750	0.00	–	–	–
AK Stl	12/01	9.13	[illegible]	99.7500	0.00	–	–	–
Pacalla	06/04	10.75	B−	91.0000	0.00	–	–	–

NY closing. Standard & Poor's ratings. [illegible] Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	–	Two year	4.79
Prime rate	$8\frac{1}{2}$	Two month	–	Three year	4.75
Broker loan rate	$7\frac{1}{4}$	Three month	4.83	Five year	4.73
Fed funds	$5\frac{3}{8}$	Six month	4.81	10-year	4.93
Fed funds at intervention	-	One year	4.83	30-year	5.26

INTERNATIONAL BONDS

Sep 16	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	109.6800	4.35	+0.04	−0.27	+0.30
Spain	01/07	5.750	AA	109.7200	4.33	+0.02	−0.30	+0.28
Philip Morris	03/04	5.375	A	103.9100	4.56	[illegible]	−0.45	+0.87
Finland FRN	09/02	3.531	AA	100.8440	3.19	+0.06	−0.32	−0.50
EURO FFR								
Austria	01/04	5.300	AAA	107.8377	3.88	+0.04	−0.36	+0.08
Abbey Nat	02/04	6.000	AA	109.4324	4.02	+0.08	−0.32	+0.22
Cred Foncier	02/04	9.125	A	122.4100	4.38	+0.07	−0.19	+0.58
3CIF FRN	12/01	3.617	AA−	99.9574	3.54	+0.05	−0.26	−0.13
EURO LIRA								
EIB	02/07	7.000	AAA	11[illegible]	4.38	+0.02	−0.31	−0.08
Abbey Nat	02/02	6.800	AA	108.3500	4.12	+0.08	−0.31	+0.07
Walt Disney	06/00	[illegible]	A	107.3000	4.19	+0.08	−0.25	+0.16
EIB FRN	03/01	4.743	AAA	100.1079	3.76	+0.04	−0.30	−0.19
EURO £								
EIB	12/07	7.625	AAA	113.7746	5.68	–	−0.38	+0.56
Dresdner Bk	12/07	7.750	AA−	108.9972	6.42	–	−0.06	+1.32
British Gas	03/00	7.625	A+	100.9105	6.93	+0.06	−0.43	+0.82
Abbey Nat FRN	02/02	7.900	AA	100.1379	5.92	+0.01	−0.59	+0.01
EURO $								
EIB	04/07	7.250	AAA	111.9100	5.47	+0.05	−0.27	+0.82
ABN Amro	06/07	7.125	n/a	105.9495	6.23	+0.07	−0.04	+1.38
Quebec	01/07	7.000	A+	105.9488	6.08	+0.07	+0.01	+1.23
Citicorp FRN	02/04	5.750	A+	100.0431	5.73	+0.07	+0.25	+0.89
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	117.8417	5.83	+0.07	−0.15	+0.18
Toronto	05/04	8.500	AA+	112.8079	5.78	+0.07	−0.19	+0.13
Bell Canada	07/99	10.625	A+	103.7895	5.56	–	−0.16	+0.95
[illegible] FRN	09/02	5.875	AAA	100.0157	5.87	+0.58	−0.03	+0.34
EURO YEN								
World Bank	03/02	5.250	AAA	116.5968	0.46	–	−0.32	−0.04
Spain	03/02	5.750	AA	118.3894	0.45	–	−0.30	−0.05
Cred Foncier	08/02	4.750	A	114.5428	0.82	–	−0.32	+0.42
Italy FRN	07/99	0.727	AA	100.2373	0.00	–	−0.12	−0.22

London closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Sep 16	Day's change %	Tue Sep 15	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	120.57	−0.02	120.60	2.25	7.22
2 5–15 years (19)	170.02	0.10	170.05	2.86	7.34
3 Over 15 years (8)	220.09	0.36	219.91	3.40	7.46
4 Irredeemables (4)	292.89	0.42	291.68	4.26	8.53
5 All stocks (49)	161.89	0.12	161.57	2.76	7.51
Index-linked					
6 Up to 5 years (2)	220.38	0.08	220.20	0.87	4.35
7 Over 5 years (9)	239.95	0.16	239.59	1.25	5.86
8 All stocks (11)	226.17	0.15	225.83	1.20	4.81

UK Indices

Yield indices	Low coupon yield Sep 16	Sep 15	Yr. ago	Medium coupon yield Sep 16	Sep 15	Yr. ago	High coupon yield Sep 16	Sep 15	Yr. ago
5 yrs	5.40	5.39	6.72	5.49	5.46	6.81	5.42	5.43	6.85
15 yrs	4.95	4.99	6.70	5.09	5.13	6.73	5.17	5.19	6.86
20 yrs	4.83	4.87	6.78	5.08	5.11	6.70	5.17	5.19	6.79
Irred.†	5.17	5.19	6.76						

	Inflation 5% Sep 16	Sep 15	Yr. ago	Inflation 10% Sep 16	Sep 15	Yr. ago
Up to 5 yrs	2.75	2.78	3.40	2.00	2.02	2.75
Over 5 yrs	2.43	2.44	3.43	2.21	2.23	3.28

Average gross redemption yields are shown above. Coupon Bands: Low: 0%–7¾%; Medium: 8%–10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 16	Sep 15	Sep 14	Sep 11	Sep 10	Yr ago	High*	Low*
Govt. Secs. (UK)	110.05	109.86	109.52	109.43	108.73	99.13	110.62	93.31
Fixed Interest	149.85	149.90	149.65	149.58	149.35	127.91	149.95	115.32

* for 1998. Government Securities high since compilation: [illegible]. Fixed Interest high since compilation: [illegible]. Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Other Fixed Interest

Dollar firms as US rates look stable

MARKETS REPORT

By Simon Kuper

The dollar rose yesterday on signs that a US interest rate cut might be further away than the market had previously thought. The currency was also helped by new reminders of the economic problems and political turmoil in Japan.

Alan Greenspan, president of the Federal Reserve, yesterday gave testimony to the House banking committee without once referring to interest rates in his prepared testimony. Many market strategists had expected him to add to his comment of 13 days ago, when he said that inflation might no longer be the main threat to the US economy. That remark had fed the notion that the US might respond to the collapse of many financial markets by cutting rates.

Later, in answer to a question from the committee, Mr Greenspan quashed the idea that the world's leading economies might be planning to cut rates jointly. "I think that I can safely say that at the moment there is no endeavour to co-ordinate interest rate cuts," he said.

Robert Rubin, US treasury secretary, did not mention rates in his testimony, instead calling on Congress to free up money for the International Monetary Fund to support stricken economies. He said the US had to promote global economic growth.

William Poole, a member of the Fed's open market committee that votes on rates, said the bank could not restore stability to the world economy by reducing rates. Similar remarks were reported from other Fed officials yesterday. In July, Mr Poole had fuelled belief that rates would fall when he abandoned his support of an immediate monetary tightening.

A 1.7 per cent rise in US industrial production in August also helped dispel ideas that the American economy was slowing down sufficiently to require a rate cut.

Yet a Reuters poll yesterday shows that 14 out of 20 economists surveyed expected the Fed to reduce its federal funds rate from 5.50 per cent by the end of the year. In the survey last month, only 1 in 23 economists had forecast an easing.

The dollar also benefited from Tuesday's rally in US stocks, an easing of fears that Brazil would have to devalue, and a deadlock in Japan's parliament over banking reform bills.

There were also reports that Japanese companies had suffered heavy losses in Russian markets.

In US trading after Mr Greenspan's remarks, the dollar was at Y135.40 to the yen and DM1.6955 to the D-Mark, respectively Y2.6 and 0.85 pfennig above Tuesday's London closes.

■ All the pieces are falling into place for a UK rate cut. The economy has been slowing for months now: global asset prices have slumped; this week retail price inflation dropped to the government's target of 2.5 per cent; and yesterday average earnings, data that the Bank of England watches closely, dropped to 4.7 per cent. That is still above the Bank's target of 4.5 per cent, but the trend since the April peak in earnings is clear. The market now thinks that a rate cut is only a matter of time.

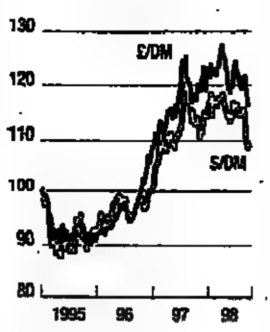
Yet short sterling futures contracts fell yesterday. They had risen excessively high, says Philip Shaw, chief economist at Investec in London, as traders became too enthusiastic about the chances of a rate cut. The December 1998 contract lost 5 basis points yesterday, but still prices in a fall in base rates by about 50 basis points to 7 per cent. Given that inflation has been above the government's target for six months of this year so far, that may still be too enthusiastic.

The pound, like the short sterling strip, behaved counter-intuitively yesterday. It firmed slightly against both the D-Mark and dollar, reaching DM2.8395 and DM1.6755 in late trading. Michael Scarlatos, currency strategist at Bankers Trust in New York, said: "There is a lot of talk in markets that sterling is once again seen as a safe haven – truly an island."

The pound is less exposed than the dollar to a collapse in Latin America, the current chief victim of global contagion. Mr Shaw said the pound's present levels were "quite a reasonable base".

Sterling and dollar

Exchange rates rebased



Source: Datastream/ICV

■ **POUND IN NEW YORK**

Sep 16	—Latest—	— Prev. close —
£ spot	1.6765	1.6760
1 mth	1.6740	1.6734
3 mth	1.6698	1.6684
1 yr	1.6493	1.6385

■ **OTHER CURRENCIES**

Sep 16	£	$
Czech Rp	51.6093 - 51.7091	30.8060 - 30.8490
Hungary	367.846 - 368.211	219.570 - 219.670
Iran	5028.60 - 5025.90	3000.00 - 3000.00
Kuwait	0.5096 - 0.5161	0.3042 - 0.3043
Peru	5.0661 - 5.0722	3.0240 - 3.0260
Poland	[illegible]	3.5750 - 3.5950
Russia	22.1140 - 22.9639	13.2000 - 13.7000
U.A.E.	6.1530 - 6.1569	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Sep 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.9487	+0.0804	398 - 575	20.0277	19.8700	19.8827	4.0	19.76	3.8	19.338	3.1	103.8
Belgium	(BFr)	58.4888	+0.2406	345 - 430	58.7680	58.2300	58.2942	4.0	57.9306	3.8	56.6066	3.2	103.7
Denmark	(DKr)	10.8093	+0.0395	047 - 138	10.8487	10.7698	10.7862	2.6	10.7428	2.5	[illegible]	[illegible]	106.9
Finland	(FM)	8.5330	+0.0368	270 - 390	8.5630	8.5010	8.5053	3.8	8.5517	3.6	8.3512	3.3	82.6
France	(FFr)	9.5111	+0.0435	065 - 156	9.5426	9.4737	9.4795	4.0	9.4207	3.8	9.2034	3.2	107.3
Germany	(DM)	2.8350	+0.0113	338 - 361	2.8469	2.8244	2.8258	4.0	2.8076	3.9	2.7434	3.2	105.8
Greece	(Dr)	485.959	+0.99	[illegible]	487.962	483.981	488.272	-6.7	492.936	-6.7	509.95	-4.9	61.0
Ireland	(I£)	1.1334	+0.0052	311 - 356	1.1363	1.1299	1.1322	1.2	1.1285	1.7	1.1032	2.7	88.1
Italy	(L)	2800.80	+11.55	[illegible]	2810.32	2790.90	2795.32	2.3	2784.26	2.3	2723.08	2.8	76.7
Luxembourg	(LFr)	58.4888	+0.2406	345 - 430	58.7680	58.2300	58.2942	4.0	57.9306	3.8	56.6066	3.2	103.7
Netherlands	(Fl)	3.1975	+0.0131	960 - 990	3.2158	[illegible]	3.1864	4.1	3.1657	4.0	3.0928	3.3	103.2
Norway	(NKr)	[illegible]	+0.0069	[illegible]	12.6479	12.4839	12.6081	-0.8	12.6224	-0.7	12.6199	-0.2	93.1
Portugal	(Es)	290.558	+1.163	397 - 720	291.751	289.565	289.801	3.1	288.274	3.1	[illegible]	3.0	92.8
Spain	(Pta)	240.747	+0.94	640 - 850	241.700	239.830	240.179	2.8	238.942	3.0	233.645	3.0	77.7
Sweden	(SKr)	13.0903	+0.1256	814 - 992	13.1246	12.9721	13.0547	3.3	12.9881	3.1	12.761	2.5	82.9
Switzerland	(SFr)	2.3358	+0.0044	342 - 373	2.3499	[illegible]	2.324	6.0	2.3021	5.8	2.2203	4.9	108.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.6
Ecu	–	1.4435	[illegible]	[illegible]	1.4526	[illegible]	[illegible]	3.3	[illegible]	3.2	1.3997	3.0	-
SDR†	–	1.228210	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6765	+0.002	750 - 759	1.6798	1.6693	-	-	-	-	-	-	-
Brazil	(R$)	1.9767	+0.0037	760 - 774	1.9803	1.9695	-	-	-	-	-	-	-
Canada	(C$)	2.5218	+0.0042	207 - 228	2.5257	2.5149	2.518	1.8	2.5102	1.8	2.4631	1.5	78.2
Mexico	(New Peso)	16.8684	-0.2226	451 - 877	17.0083	16.7350	17.3843	-38.6	18.365	-30.5	22.4476	-33.1	-
USA	($)	1.6766	+0.002	759 - 762	1.6799	1.6695	1.6732	1.9	1.6661	1.8	1.6488	1.8	109.5
Pacific/Middle East/Africa													
Australia	(A$)	2.8282	+0.0157	242 - 281	2.8320	2.8017	2.8205	2.4	2.8095	2.4	2.7727	1.9	78.2
Hong Kong	(HK$)	12.9821	+0.0151	777 - 864	13.0058	12.9369	12.995	-1.2	13.0558	-2.3	13.4810	-3.8	-
India	(Rs)	71.1606	+0.0431	185 - 069	71.2050	70.9300	-	-	-	-	-	-	-
Indonesia	(Rupiah)	18763.48	+169.8	563 - 105	18947.00	17895.90	18980.12	-57.0	21950.86	-55.0	27948.56	-48.9	-
Israel	(Shk)	6.4287	-0.0093	211 - 363	6.4533	6.4169	-	-	-	-	-	-	-
Japan	(Y)	226.059	+3.66	914 - 203	227.280	223.990	224.669	7.4	222.059	7.1	211.444	6.5	112.8
Malaysia	(M$)	6.3579	+0.0076	551 - 606	6.3798	6.3453	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.3017	+0.0307	985 - 049	3.3048	3.2728	3.2968	1.8	3.2881	1.6	3.2727	0.9	90.9
Philippines	(Peso)	73.3979	+0.0457	[illegible]	73.5854	73.2079	73.9327	-8.7	74.8883	-8.0	[illegible]	-8.6	-
Saudi Arabia	(SR)	6.2881	+0.0873	630 - 871	6.2965	6.2626	6.2801	1.0	6.2698	1.0	6.2428	0.7	-
Singapore	(S$)	[illegible]	+0.0071	[illegible]	2.9069	2.8788	2.8846	2.9	2.8744	2.4	2.8408	1.8	-
South Africa	(R)	10.2472	-0.0494	277 - 667	10.3121	10.1770	10.3075	-14.1	10.6066	-14.8	11.8814	-14.9	-
South Korea	(Won)	2304.99	-7.3	186 - 813	2331.73	2299.04	-	-	-	-	-	-	-
Taiwan	(T$)	57.9089	+0.1218	[illegible]	58.0144	57.6997	57.9043	0.1	58.0582	-1.0	58.9132	-1.7	-
Thailand	(Bt)	68.3398	+0.0387	685 - 890	68.4150	68.2200	68.4338	-1.8	68.1386	-4.7	73.4833	-7.8	-

† Rates for Sep 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.9043	+0.0338	022 - 064	11.9760	11.8730	11.893	2.1	11.8463	1.9	11.7229	1.5	103.7
Belgium	(BFr)	34.9030	+0.102	[illegible]	35.1000	34.8120	34.84	2.2	34.73	2.0	34.333	1.6	103.7
Denmark	(DKr)	6.4504	+0.0159	494 - 514	6.4865	6.4345	6.4465	0.7	6.4404	0.6	6.4219	0.4	108.5
Finland	(FM)	5.1517	+0.0197	[illegible]	5.1817	5.1399	5.143	2.0	5.1299	1.9	5.0652	1.7	82.3
France	(FFr)	5.6757	+0.0192	746 - 769	5.7072	5.6610	5.6695	2.2	5.6478	2.0	5.582	1.7	107.0
Germany	(DM)	1.6918	+0.0048	915 - 920	1.7024	1.6878	1.6897	2.2	1.6832	2.0	1.6639	1.6	105.3
Greece	(Dr)	289.985	+0.245	760 - 210	291.620	289.330	291.92	-7.8	295.52	-7.6	309.296	-6.7	60.9
Ireland	(I£)	1.4786	-0.005	761 - 811	1.4815	1.4724	1.4778	0.6	1.4781	0.1	1.4948	-1.1	-
Italy	(L)	1671.25	+4.9	080 - 170	1680.70	1667.50	1670.05	0.4	1669.2	0.5	1651.8	1.2	76.7
Luxembourg	(LFr)	34.9030	+0.102	[illegible]	35.1000	34.8120	34.84	2.2	34.73	2.0	34.333	1.6	103.7
Netherlands	(Fl)	[illegible]	[illegible]	077 - 085	1.9230	[illegible]	1.9044	2.3	1.8979	2.1	1.8758	1.7	103.1
Norway	(NKr)	7.5192	-0.0049	[illegible]	7.5683	7.4580	7.5358	-2.7	7.5672	-2.6	7.6542	-1.8	92.9
Portugal	(Es)	173.390	+0.6	340 - 440	174.440	173.000	173.202	1.3	172.823	1.3	170.86	1.4	93.4
Spain	(Pta)	143.585	+0.30	540 - 630	144.550	143.330	143.545	1.0	143.248	1.2	141.71	1.4	77.6
Sweden	(SKr)	7.8118	+0.0057	[illegible]	7.8431	7.7510	7.8023	1.4	7.7865	1.3	7.7399	0.9	82.4
Switzerland	(SFr)	1.3939	+0.001	933 - 944	1.4048	1.3822	1.398	4.2	1.3801	3.9	1.3486	3.4	100.0
UK	(£)	1.6768	+0.002	753 - 782	1.6789	1.6698	1.6732	1.8	1.6681	1.8	1.6488	1.6	101.8
Ecu	–	1.1810	-0.003	804 - 815	1.1879	[illegible]	1.1824	-1.4	1.1849	-1.4	1.1781	-1.5	-
SDR†	–	0.72883	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	[illegible]	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1798	+0.0008	[illegible]	1.1798	1.1798	-	-	-	-	-	-	-
Canada	(C$)	1.5040	+0.0007	[illegible]	1.5066	1.5023	1.505	0.0	1.505	0.0	1.506	-0.1	78.1
Mexico	(New Peso)	10.0650	-0.145	650 - 750	10.0750	10.0000	[illegible]	-36.7	11.01	-37.6	13.615	-35.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	+0.0074	[illegible]	1.6875	1.6734	1.6867	0.8	1.6831	0.8	1.6734	0.8	77.8
Hong Kong	(HK$)	7.7470	-0.0003	465 - 475	7.7480	7.7465	7.7665	-3.0	7.827	-4.1	8.177	-5.0	-
India	(Rs)	42.4650	-0.025	[illegible]	42.5000	42.4420	42.866	-12.2	43.716	-11.8	46.95	-10.6	-
Indonesia	(Rupiah)	11300.00	+100	[illegible]	11300.00	10750.00	11760	[illegible]	12900	-57.1	16950	-51.3	-
Israel	(Shk)	3.8363	-0.0066	[illegible]	3.8486	3.8323	-	-	-	-	-	-	-
Japan	(Y)	134.900	+2.146	850 - 950	135.770	133.800	134.276	5.6	133.125	5.3	128.245	4.9	115.8
Malaysia	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9702	+0.0279	[illegible]	1.9728	1.9547	1.9733	-1.9	1.9787	-1.7	1.9975	-1.4	-
Philippines	(Peso)	43.8000	-0.025	[illegible]	43.9000	43.7000	44.1866	-10.6	44.883	-9.9	48.6	-11.4	-
Saudi Arabia	(SR)	3.7506	-0.0002	504 - 508	3.7508	3.7503	3.7533	-0.9	3.7586	-0.9	3.7864	-1.0	-
Singapore	(S$)	1.7255	+0.001	250 - 260	1.7286	1.7217	1.724	1.0	1.7232	0.5	1.723	0.1	-
South Africa	(R)	6.1150	[illegible]	050 - 250	[illegible]	6.0900	6.1983	-15.9	[illegible]	-15.9	7.085	-15.9	-
South Korea	(Won)	1375.50	-6	400 - 700	1391.00	1374.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.5570	+0.0015	[illegible]	34.6000	34.5150	34.807	-1.7	[illegible]	-2.9	35.732	-3.4	-
Thailand	(Bt)	40.7750	-0.025	[illegible]	40.8500	40.7000	40.9	-3.7	41.45	-6.8	44.576	-9.3	-

† SDR rate per $ for Sep 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 15: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.

The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Sep 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3½	3½	3¾	3¾	6.00	2.75	-
France	3¾	3¾	3¾	3¾	3¾	4.60	-	3.30
Germany	3½	3½	3½	3½	3¾	4.50	2.50	3.30
Ireland	6¾	6¼	5¾	4½	4¼	-	-	6.19
Italy	5¾	5¾	4¾	4¾	3¾	6.50	5.00	5.16
Netherlands	3½	3¾	3¾	3½	3¾	-	2.75	3.30
Switzerland	1¾	1¾	1¾	1¾	1½	-	1.00	-
US	5¾	5½	5¾	5½	5¼	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5¾	5½	5¼	5¼	-	-	-
US Dollar CDs	-	5.31	5.28	5.18	5.05	-	-	-
ECU Linked Ds	-	4¼	4¼	3¾	4¼	-	-	-
SDR Linked Ds	-	3¾	3¾	3¾	3½	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	4 - 3¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1¼ - 1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	4½ - 4	[illegible]	4¼ - 4	[illegible]	5½ - 5	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.46	96.48	+0.01	96.51	96.44	5,207	84,488
Mar	96.50	96.48	+0.01	96.55	96.47	4,812	57,167

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.490	96.480	-0.015	96.490	96.465	1223	15704
Mar	96.525	96.500	-0.045	96.530	96.480	70370	512303
Jun	96.500	96.465	-0.055	96.500	96.445	64946	283450
Sep	96.470	96.435	-0.060	96.470	96.415	42037	238011

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		96.540	-0.015			0	0
Nov		-				0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.210	96.190	-0.020	96.210	96.170	18069	161852
Mar	96.490	96.460	-0.050	96.500	96.450	5938	269451
Jun	96.460	96.430	-0.055	96.460	96.430	1479	65966
Sep	96.420	96.410	-0.055	96.430	96.380	2221	40783

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.210	98.240	-	98.240	98.180	14016	73338
Mar	98.240	98.240	-0.010	98.250	[illegible]	9810	39809
Jun	98.120	98.150	-0.020	98.160	98.120	3659	23172
Sep	98.020	98.050	-0.010	98.050	98.000	1007	15186

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.40	-0.04			0	na
Mar		99.44	-0.04			0	na
Jun		99.47	-0.04			0	na

* LIFFE futures also traded on APT

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		95.900	-			0	0
Mar	96.490	96.490	-0.050	96.490	96.490	50	5209
Jun	96.440	96.455	-0.060	96.440	96.440	23	2021
Sep		96.425	-0.065			0	1333

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96125	0.175			0.110		
96250	0.110	0.310	0.320	0.170	0.100	0.140
96375	0.065			0.250		

Est. vol. total, Calls 361 Puts 852. Previous day's open int., Calls 62127 Puts 68509

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.26	4.847	1.936	4788	5.467	21.54	496.6	411.6	22.36	3.994	1.710	4.312	2.866	388.5	2.468
Denmark	(DKr)	54.11	10	8.799	2.623	1.048	2591	2.958	11.66	268.8	222.7	12.11	2.161	0.925	2.333	1.550	209.1	1.335
France	(FFr)	61.50	11.36	10	2.981	1.192	2945	3.362	13.25	305.5	253.1	13.76	2.456	1.051	2.651	1.762	237.7	1.518
Germany	(DM)	20.63	3.813	3.355	1	0.400	987.9	1.128	4.445	102.5	84.92	4.617	0.824	0.353	0.890	0.591	79.74	0.509
Ireland	(I£)	51.61	9.538	8.392	2.502	1	2471	2.821	11.12	256.4	212.4	11.55	2.061	0.882	2.226	1.479	199.5	1.274
Italy	(L)	2.089	0.386	0.340	0.101	0.040	100	0.114	0.450	10.37	8.598	0.467	0.083	0.036	0.090	0.060	8.072	0.052
Netherlands	(Fl)	18.29	3.381	2.975	0.887	0.354	875.9	1	3.941	90.87	75.29	4.094	0.731	0.313	0.789	0.524	70.70	0.451
Norway	(NKr)	46.42	8.579	7.548	2.250	0.899	2223	2.538	10	230.6	191.1	10.39	1.854	0.794	2.001	1.330	179.4	1.146
Portugal	(Es)	20.13	3.720	3.273	0.976	0.390	963.9	1.100	4.337	100	82.86	4.505	0.804	0.344	0.868	0.577	77.80	0.497
Spain	(Pta)	24.29	4.490	3.951	1.178	0.471	1163	1.328	5.234	120.7	100	5.437	0.970	0.415	1.048	0.696	93.90	0.600
Sweden	(SKr)	44.68	8.257	7.266	2.166	0.866	2139	2.443	9.626	222.0	183.9	10	1.784	0.764	1.927	1.280	172.7	1.103
Switzerland	(SFr)	25.04	4.628	4.072	1.214	0.485	1199	1.369	5.394	124.4	103.1	5.604	1	0.428	1.080	0.717	96.79	0.618
UK	(£)	58.49	10.81	9.511	2.835	1.133	2801	3.198	12.60	290.6	240.8	13.09	2.336	1	2.522	1.676	226.1	1.443
Canada	(C$)	23.19	4.286	3.771	1.124	0.449	1111	1.268	4.996	115.2	95.46	5.191	0.926	0.397	1	0.665	89.64	0.572
USA	($)	34.90	6.450	5.676	1.692	0.676	1671	1.908	7.519	173.4	143.7	7.812	1.394	0.597	1.505	1	134.9	0.861
Japan	(Y)	25.87	4.782	4.207	1.254	0.501	1239	1.414	5.574	128.5	106.5	5.791	1.033	0.442	1.116	0.741	100	0.638
Ecu	–	40.52	7.489	6.589	1.964	0.785	1940	2.215	8.730	201.3	166.8	9.069	1.618	0.693	1.747	1.161	156.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5949	0.5911	-0.0038	0.5955	0.5904	20,490	136,655
Mar	0.5947	0.5947	-0.0028	0.5947	0.5930	2	175
Jun	-	0.5971	-0.0034	-	0.5971	42	148

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7241	0.7193	-0.0052	0.7249	0.7188	12,038	62,633
Mar	-	0.7250	-0.0067	-	0.7250	25	83
Jun	-	0.7366	-	-	-	2	3

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7665	0.7468	-0.0104	0.7570	0.7459	18,634	77,040
Mar	0.7600	0.7565	-0.0101	0.7600	0.7566	18	2,065
Jun	-	0.7758	-	-	-	110	888

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6694	1.6652	-0.0044	1.6698	1.6624	8,702	40,307
Mar	-	1.6600	-0.0026	-	1.6600	30	29
Jun	-	1.6580	-	-	-	1	204

UK INTEREST RATES

LONDON MONEY RATES

Sep 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 6	7½ - 7¼	7¼ - 7⅛	7¼ - 7⅛	7⅛ - 7⅛	7⅛ - 6⅞
Sterling CDs	-	-	7⅜ - 7⅜	7⅜ - 7⅛	7¼ - 7⅛	7¼ - 7⅛
Treasury Bills	-	-	7¼ - 7⅛	7⅜ - 7¼	-	-
Bank Bills	-	-	7½ - 7¼	7½ - 7¼	7½ - 7¼	-
Local authority deps.	7¼ - 7	7¼ - 7⅛	7½ - 7⅜	7½ - 7⅜	7¼ - 7⅛	7⅛ - 7¼
Discount Market deps	7½ - 7½	7½ - 7½	-	7½ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Sep 4. 7.0954pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 28, 1998 to Oct 25, 1998, Scheme III 8.98pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.749pc. Finance House Base Rate 8pc from Sep 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.560	92.565	-0.005	92.570	92.530	12819	146979
Dec	92.910	92.915	-0.035	92.940	92.880	55813	183287
Mar	93.300	93.310	-0.030	93.340	93.280	28375	158165
Jun	93.570	93.610	-0.010	93.640	93.570	17158	149489
Sep	93.710	93.760	-	93.770	93.710	12472	117707

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
92500	0.065	0.460	0.880	0	0.045	0.050
92625	0			0.060		
92750	0	0.275	0.650	0.185	0.110	0.090
92875	0			0.310		
93000	0	0.140	0.455	0.435	0.225	0.145
93125	0			0.560		

Est. vol. total, Calls 16191 Puts 16282. Previous day's open int., Calls 637329 Puts 638703

EMS EUROPEAN CURRENCY UNIT RATES

Sep 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	336.323	-0.721	-5.79	5.49	39
Ireland	0.796244	0.784335	+0.000738	-1.50	0.89	10
Italy	1957.61	1938.20	+0.94	-0.99	0.37	7
Spain	168.220	166.653	+0.073	-0.93	0.31	6
Denmark	7.54257	7.48104	+0.00417	-0.82	0.20	6
Portugal	202.692	201.109	+0.031	-0.78	0.16	5
France	6.63186	6.57985	+0.00329	-0.78	0.16	7
Germany	1.97738	1.96218	+0.00093	-0.77	0.15	7
Austria	13.9119	13.8070	+0.0089	-0.75	0.13	6
Belgium	40.7844	40.4780	+0.0189	-0.75	0.13	5
Netherlands	2.22799	2.21275	+0.00083	-0.68	0.06	5
Finland	6.01125	5.97385	+0.00279	-0.62	0.00	4
NON ERM MEMBERS						
UK	0.653644	0.690597	-0.002188	5.65	-5.84	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.670	1.96	2.43	-	1.61	2.17	-
1.680	1.48	1.95	2.32	1.98	2.66	3.23
1.690	1.07	1.55	-	2.55	3.26	-

Previous day's vol., Calls 110 Puts 85 . Prev. day's open int., Calls 1,058 Puts 3,405

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.585	1.40	1.68	1.84	0.60	0.79	0.89
0.590	1.11	1.38	1.52	0.81	1.00	1.10
0.595	0.85	1.12	1.30	1.06	1.25	1.39

Previous day's vol., Calls 23 Puts 77 Prev. day's open int., Calls 2,184 Puts 7,927

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.81	94.79	-0.02	94.83	94.78	103,636	473,495
Mar	94.99	94.97	-0.02	95.02	94.95	113,612	465,126
Jun	95.03	95.00	-0.03	95.05	94.98	83,152	387,396

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.62	95.63	-0.02	95.63	95.62	158	1,210
Mar	-	95.83	-	-	-	5	126
Jun	-	95.84	-0.04	-	95.84	2	2

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
96375	0.080	0.095	0.130		0.030	0.045	[illegible]	
96500	0.035	0.050	0.070	0.160	0.110	0.125	0.145	0.150
96625	0.010	[illegible]	0.045		0.210	0.230	0.245	
96750	0	0.020	0.025	0.070	0.325	0.345	0.350	0.320

Est. vol. total, Calls 6519 Puts 7383. Previous day's open int., Calls 393227 Puts 286798

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98250	0.140	0.210	0.260	0.150	0.220	0.360
98375	0.080			0.215		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13155 Puts 4322

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	Heritable & Gen Inv Bk	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	C. Hoare & Co	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	●Hambros Bank	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50		
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

● Members of London Investment Banking Association

CONTRACTS & TENDERS

Outlook for sugar less than sweet

Oversupply and Russian and Asian woes are a bitter brew, writes **Paul Solman**

As sugar prices trade at around 10-year lows, Russia's economic woes and currency devaluations among producing countries mean the global market remains bleak.

The problems of oversupply are not new and have been compounded by recent favourable weather in sugar growing regions. In 1997-98 (October to September), the year currently being harvested, production was 126m tonnes compared with consumption of 123m, according to analysts ED&F Man.

The world sugar surplus is estimated at 1m-2m tonnes, says Lawrence Eagles, at GNI in London. "Next year, the surplus will be much higher – 4m or even 5m tonnes. Many of the main exporters, such as Thailand, Australia and Brazil, are struggling to find a home for their sugar," he says.

As with most commodities, the Asian crisis has proved a drain on demand.

"Asia was the powerhouse of world sugar demand, and over the past decade it has been the only source of growth in demand," says Tony Hannah at the International Sugar Organisation.

"Indonesia has been at the forefront, and it imported *1.9m tonnes in 1997. But it's* clear that because of their economic problems they will not import in such quantities in future," he says.

Increases in local production have made nations self-sufficient in sugar. India, for example, once imported large quantities to help meet domestic demand. In recent years, the Indian sugar industry has gone through a dramatic adjustment.

"This year, production is looking at about 12m tonnes and India is still importing sugar. Next year it looks like being self-sufficient," Mr Eagles says.

China is also moving towards self-sufficiency. "China had a good crop in 1997/98 and the area devoted to sugar is likely to stay in place next year. It's not likely to need any sugar from the world market," says Chris Pack, at C. Czarnikow Sugar in London.

Russia, meanwhile, effectively stopped importing sugar from August 1 after the government raised raw and white sugar import taxes to 75 per cent and 45 per cent, respectively, from 1 per cent and 25 per cent.

The move followed protests from domestic sugar producers after a four-fold increase in imports to 2.8m tonnes in the first half. The higher taxes were planned to be charged until December 31. "But the economy is now in such bad shape that is unlikely to import in large quantities when tariffs end," says Mr Hannah.

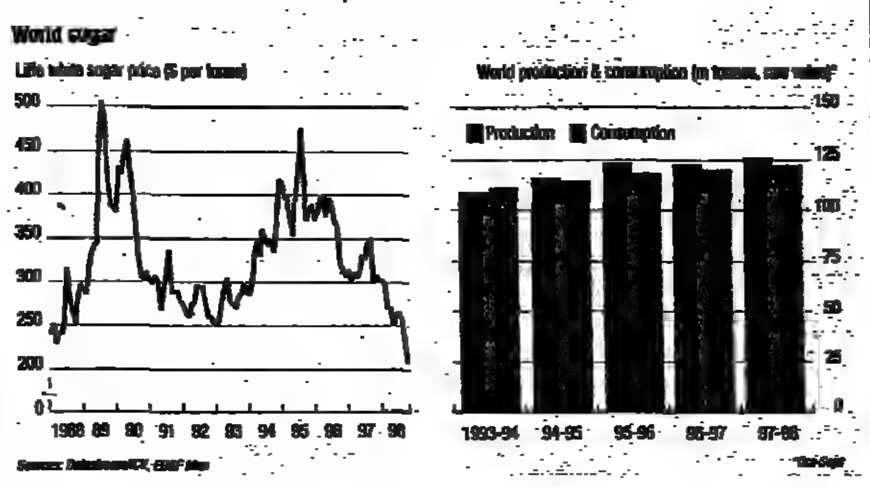
Sugar prices are also suffering from world currency problems. In July, Thailand, a leading exporter, devalued the baht, and there is the continuing threat of devaluation in Brazil.

"If Brazil devalues, it will be more willing to sell sugar at lower levels, the price will fall further and the market will have to adjust. In the long term, devaluations reduce prices, which affects production and prices fall further," Mr Eagles says.

Brazil, the third largest producer after the EU and India, is key to prices. "Brazil has almost had an exponential increase in production in recent years," says Mr Pack. "This year's production by mid-August was 7.75m tonnes against 5.77m last year. Alcohol production is down so sugar is where the cane crop is going."

Some analysts believe the current price of about $215 a tonne for white sugar on Liffe may be about to bottom out as the market adjusts to the supply situation.

"Much depends on the speed of the Asian economic recovery," says Mr Pack, "and also how good producers are *at managing their* supplies. It's a testing time."



Caribbean group production down 17%

Production by the six member countries of the Sugar Association of the Caribbean this year declined to 718,831 tonnes, 17 per cent less than last year, according to the association, writes Canute James in Kingston.

Unusually dry weather, attributed to the El Niño *weather phenomenon*, was the main cause, it said.

Production fell in all of its member countries – Barbados, Belize, Guyana, Jamaica, St Kitts, and Trinidad and Tobago.

Guyana was the leading producer with 265,473 tonnes; Jamaica produced 186,133 tonnes; Belize 118,112 tonnes; Trinidad and Tobago 78,309 tonnes; *Barbados 46,473 tonnes;* and St Kitts 24,331 tonnes.

Despite the lower production, the six countries are meeting their export quota commitments of 515,536 tonnes to the European Union, and have already exported 54,287 tonnes under quota to the US. The US quota commitments will be completed when 12,879 *tonnes are exported later* this month.

Second coffee campaign in Russia, China

By Paul Solman

The coffee industry is *planning a second campaign* to promote coffee in Russia and China next year following this year's initiative.

"Russia and China are important emerging markets for coffee, where we can hope to increase consumption," Michael Heath, promotions manager at the International Coffee Organisation, said yesterday.

This year's events were sponsored by ICO in conjunction with local coffee roasters, shops and large coffee groups such as Nestlé, Kraft and Café de Colombia.

They included coffee tastings, media briefings and university campus activities in Shanghai, Beijing, St Petersburg and Moscow.

One of the problems coffee *marketers face in China* is that there is cultural resistance to coffee drinking.

ICO found that even sophisticated consumers believed that coffee "keeps you awake at night, heats the blood and is bad for the skin". In contrast, the Chinese believed strongly in the beneficial effects of tea.

The ICO believes the Russian coffee market is larger. "Coffee penetration is 70 per cent in urban areas," Mr Heath said. "Russians do drink coffee, but only for breakfast, so we are trying to raise awareness so that they will consider coffee at other times of the day."

Next year's events are again likely to centre on tastings and awareness campaigns in *population centres* and universities.

ICO proposals include participating in the China Coffee and Tea Exhibition in Beijing in March, holding a "coffee week" in Moscow during April, and sponsoring television programmes.

Producers asked to implement oil cuts

MARKETS REPORT

By Paul Solman

Ministers from Saudi Arabia, Kuwait and Qatar yesterday called on the world's oil producers to implement fully the output cuts agreed earlier this year.

Cuts totalling 2.6m barrels a day have been pledged by members and non-members of the Organisation of Petroleum Exporting Countries in an effort to support flagging prices, but there has been evidence that some nations are failing to comply with the agreed levels.

The ministers said they had reviewed the oil market, but made no suggestion that there should be any additional cuts in production.

On London's International Petroleum Exchange, crude prices drifted. Second position November Brent blend was $13.30 a barrel in late trading, compared with Tuesday's close of $13.28.

Cocoa futures fell sharply on the London International Financial Futures Exchange. The benchmark December contract was £1,028 a tonne at the close, its lowest since March 1997, and £11 lower than Tuesday's close of £1,039. Traders cited fund selling in a bearish market.

Meanwhile, BHP, the Australian resources group, said its copper production rose 32 per cent to 193,100 tonnes in the three months to August 31 from the same period last year. It attributed the gains to the resumption of normal output from Ok Tedi in Papua New Guinea and strong output from Escondida in Chile. Output from Ok Tedi slumped last year after a drought dried up its Fly River supply route.

Copper prices slipped on the London Metal Exchange, the three-month contract reaching $1,673 a tonne at the close against $1,661 on Monday.

NEWS DIGEST

FRENCH MINING

Eramet overcomes lower nickel prices in first half

Strong contributions from high-speed steel and manganese offset low nickel prices and helped Eramet, the French mining group, to a 17 per cent rise in first-half net attributable profit from FFr176.9m to FFr207.4m ($36.7m) on turnover up 4 per cent to FFr3.99bn.

However, Eramet warned that full-year income before exceptional items and taxes would be affected by second-half losses in the nickel division, and come in below the pro forma FFr716m achieved in 1997. Taking into account exceptional items, the decline in 1998 net earnings compared with a year-earlier figure of FFr389m could be "moderate" – provided nickel prices and the US dollar exchange-rate remained at recent levels.

Eramet said its nickel division would register a post-tax exceptional gain of about FFr100m in the second half. This represents part of the FFr1bn in compensation from the French government for agreeing to swap its Koniambo nickel deposit in New Caledonia for the smaller Poum deposit owned by Société Minière du Sud Pacific.

First-half turnover from nickel fell more than 12 per cent to FFr1.23bn, in spite of a 2.7 per cent increase in deliveries to 28,232 tonnes. Operating cash flow from nickel fell 60 per cent to FFr102m. The company said it expected 1998 production to climb 4 per cent to 57,000 tonnes.
David Owen, Paris

■ Inco said yesterday it had no plans to cut nickel production further, even though the nickel market is expected to be in surplus for the remainder of this year. The world nickel market received a slight boost this week as producers in Australia, Japan and China announced a series of small-scale cuts, raising hopes of a wider move to bolster sagging prices. However, larger producers, including Eramet and Russia's Norilsk, said they would not alter their production targets significantly.

On the London Metal Exchange yesterday, three-month nickel closed down $60 at $4,105 a tonne. **Reuters**

PERUVIAN COPPER-ZINC MINE

Canadians to spend US$2.5bn

Three Canadian mining companies are to go forward with development of the Antamina copper-zinc mine in Peru, one of the world's largest undeveloped deposits. Rio Algom, Noranda and Teck have agreed with Peruvian government agency Centromin to invest US$2.5bn in the project by 2002. The unusual agreement, which highlights the expected value of the ore body, commits the companies to spend at least that amount or forfeit 30 per cent of the difference between actual expenditures and the US$2.5bn to Centromin.

Noranda and Teck acquired a stake in the project for C$70m this summer from Inmet after falling metal prices left Inmet unable to finance its share of the project. The mine, in the Andes mountains north-east of Lima, is expected to produce 600m lbs of copper and 380m lbs of zinc annually over its expected 20-year life. The average cash cost for mining the copper is projected at 40 cents a pound, placing the mine among the world's lowest cost producers. **Edward Alden, Toronto**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1326.5-27.5	1357-58
Previous	1342.5-44.5	1372-74
High/low		1385/1356
AM Official	1348-48.5	1378.5-79
Kerb close		1356.5-57.0
Open int.	290,380	
Total daily turnover	110,882	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1136-43	1168-73
Previous	1150-55	1172-74
High/low		1180/1170
AM Official	1152-54	1183-87
Kerb close		1173-75
Open int.	7,479	
Total daily turnover	2,257	

■ LEAD ($ per tonne)

Close	513-14	527.5-28.0
Previous	514.5-5.5	529-30
High/low		530/527.5
AM Official	516-6.5	529.5-30.5
Kerb close		527-28
Open int.	37,595	
Total daily turnover	11,137	

■ NICKEL ($ per tonne)

Close	4030-40	4105-10
Previous	4085-95	4160-70
High/low		4170/4090
AM Official	4045-55	4125-30
Kerb close		4085-90
Open int.	61,185	
Total daily turnover	21,715	

■ TIN ($ per tonne)

Close	5485-95	5385-90
Previous	5550-60	5400-05
High/low		5420/5385
AM Official	5490-500	5400-10
Kerb close		5360-65
Open int.	13,513	
Total daily turnover	3,904	

■ ZINC, special high grade ($ per tonne)

Close	1016-17	1041-42
Previous	1013.5-14.5	1028-39
High/low		1044/1036
AM Official	1015.5-16	1040-40.5
Kerb close		1035-36
Open int.	81,230	
Total daily turnover	23,856	

■ COPPER, grade A ($ per tonne)

Close	1652-54	1677-79
Previous	1656-57	1681-82
High/low		1707/1671
AM Official	1672-73	1698-99
Kerb close		1672-3
Open int.	167,363	
Total daily turnover	64,360	

■ LME AM Official £/$ rate: 1.6741
LME Closing £/$ rate: 1.6755

Spot: 1.6765 3 mths: 1.6650 6 mths: 1.6616 9 mths: 1.6650

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	76.20	-0.60	77.10	75.60	760	4,031
Oct	75.90	-0.95	76.60	75.30	312	3,280
Nov	76.05	-0.95	76.60	75.40	46	1,921
Dec	76.15	-0.95	77.25	75.40	6,479	30,182
Jan	76.35	-0.95	-	-	74	2,100
Feb	76.45	-0.95	-	-	11	1,133
Total					7,844	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	288.60-289.10		
Opening	289.30-289.60		
Morning fix	289.15	172.596	405.533
Afternoon fix	288.25	172.102	402.685
Day's High	289.50-289.80		
Day's Low	288.10-288.40		
Previous close	289.50-289.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.03	6 months	4.01
2 months	4.87	12 months	3.61
3 months	4.71		

Silver Fix	p/troy oz.	US cts equiv
Spot	295.70	495.00

Silver Lending Rates

1 month	3.60	6 months	1.80
2 months	2.85	12 months	1.75
3 months	2.60		

Gold Coins	$ price	£ equiv
Krugerrand	290-294	173-175
New Sovereign	67-71	40-42

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	287.7	-2.8	287.0	287.0	-	-
Oct	288.0	-3.0	290.3	287.6	1,863	10,349
Dec	290.6	[illegible]	292.9	290.2	22,808	78,426
Feb	292.4	-2.7	294.4	[illegible]	401	15,035
Apr	294.2	-2.6	298.0	295.5	10	11,842
Jun	295.9	-2.6	297.5	297.9	86	15,675
Total					26,983	173,813

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	361.9	-6.7	369.0	360.4	2,190	9,950
Jan	362.9	-6.7	370.0	362.0	328	1,760
Apr	363.9	-6.7	368.5	368.5	[illegible]	46
Jul	364.9	-6.7	374.0	374.0	-	21
Total					2,524	11,[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	292.75	-2.25	296.00	295.00	4	84
Dec	287.75	-2.25	289.50	287.50	100	2,686
Mar	285.25	-2.25	-	-	3	328
Total					115	3,098

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep	487.0	-3.6	493.0	487.5	41	108
Dec	492.0	-3.5	500.5	491.0	8,088	53,220
Jan	494.0	-3.6	498.5	498.5	1	46
Mar	495.8	-3.5	499.5	498.0	757	9,272
May	497.8	-3.4	505.0	505.0	138	1,695
Jul	499.7	-3.3	503.0	503.0	[illegible]	[illegible]
Total					[illegible]	72,[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	14.56	+0.01	14.76	14.41	46,934	66,919
Nov	14.73	+0.03	14.87	14.59	36,331	81,679
Dec	14.90	+0.04	15.03	14.79	17,523	76,746
Jan	15.07	+0.03	15.16	15.00	4,403	42,583
Feb	15.17	-0.05	15.25	15.15	1,142	19,937
Mar	15.43	+0.06	15.52	15.28	310	18,609
Total					117,236	492,261

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	13.00	[illegible]	13.10	-	11,541	[illegible]
Nov	13.30	-0.02	13.60	[illegible]	[illegible]	[illegible]
Dec	13.55	+0.01	13.74	13.50	5,307	47,477
Jan	13.71	+0.01	13.86	13.71	1,059	36,760
Feb	13.80	-0.04	13.98	[illegible]	1,556	13,529
Mar	13.99	+0.01	14.14	13.89	673	12,319
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	40.00	-0.25	40.50	39.50	15,621	34,696
Nov	41.05	-0.25	41.40	40.70	[illegible]	32,519
Dec	42.20	-0.15	42.45	[illegible]	4,454	25,894
Jan	43.25	-0.10	43.40	42.90	836	24,826
Feb	43.95	-0.05	44.10	43.60	541	17,687
Mar	44.20	+0.05	44.20	43.90	149	16,122
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	121.50	-0.50	123.00	121.00	7,383	33,668
Nov	124.50	-0.50	125.75	123.75	4,416	20,600
Dec	126.75	-0.50	128.25	126.25	2,817	30,922
Jan	129.00	-0.75	130.75	129.00	498	16,736
Feb	131.00	-0.75	132.50	131.00	181	12,553
Mar	132.50	-1.00	133.50	133.25	216	7,628
Total					[illegible]	161,923

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	12.570	+0.050	12.660	12.540	615	3,705
Nov	14.050	+0.100	14.080	13.980	225	2,565
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	2.240	+0.117	2.240	2.085	64,326	57,085
Nov	2.470	+0.079	2.480	2.375	23,169	34,033
Dec	2.650	+0.049	2.660	2.585	14,739	31,916
Jan	2.710	+0.043	2.720	2.650	7,498	29,682
Feb	2.575	+0.035	2.575	2.525	4,723	19,737
Mar	2.415	+0.025	2.430	2.380	3,002	18,223
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	43.35	-0.24	44.35	42.90	16,038	27,484
Nov	43.55	-0.17	44.30	43.30	9,617	25,835
Dec	43.85	-0.27	44.75	43.75	1,045	10,214
Jan	44.70	-0.22	45.15	44.70	702	4,270
Feb	45.90	-	45.90	45.85	15	2,137
Mar	46.20	-0.27	46.40	46.20	297	2,118
Total					[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.60	-0.25	71.50	71.50	20	10
Nov	72.65	-1.10	73.10	72.55	128	[illegible]
Jan	74.50	-1.10	75.00	74.00	82	2,324
Mar	76.50	-1.05	77.00	76.65	70	1,386
May	78.10	-1.00	78.25	78.15	105	1,331
Total					387	8,610

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	249.00	-5.25	257.00	249.00	330	983
Dec	263.50	-4.50	272.00	263.00	16,800	79,373
Mar	278.75	-4.50	286.50	278.50	2,822	26,234
May	288.25	-5.00	298.00	288.00	264	4,776
Jul	298.50	-6.00	308.00	298.00	860	11,808
Sep	306.50	-6.00	308.50	306.00	25	370
Total					21,774	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	197.75	-1.00	201.50	197.00	847	3,664
Dec	208.75	-1.50	213.00	208.25	35,342	[illegible]
Mar	221.50	-1.50	225.50	221.00	4,735	61,901
May	228.75	-1.50	232.75	228.50	1,455	22,878
Jul	235.00	-1.50	239.00	234.75	1,579	31,071
Sep	241.25	-1.75	245.00	241.25	212	5,285
Total					[illegible]	[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Sep	70.75	-0.25	-	-	-	-
Nov	71.75	-0.25	71.75	71.75	11	910
Jan	74.60	-0.25	74.25	74.00	20	[illegible]
Mar	75.50	-0.25	-	-	-	60
May	76.50	-0.25	-	-	-	23
Total					31	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Sep	522.25	-9.75	534.00	522.00	710	1,788
Nov	526.00	-8.25	538.50	525.50	35,083	98,995
Jan	536.75	-8.00	547.00	536.00	3,586	24,841
Mar	548.00	-7.50	558.00	547.50	2,710	17,851
May	557.00	-7.75	567.00	557.00	681	7,714
Jul	568.25	-8.00	578.25	568.00	1,970	10,187
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Sep	25.24	+0.13	25.30	25.13	1,245	1,310
Oct	25.30	+0.14	25.40	25.16	3,708	25,886
Dec	25.51	+0.06	25.67	25.41	10,582	46,384
Jan	25.53	-0.02	25.70	25.52	1,186	9,983
Mar	25.58	-0.06	25.65	25.43	1,295	14,213
May	25.38	-0.16	25.63	25.40	582	-
Total					21,714	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Sep	129.6	-4.1	133.1	128.3	1,490	3,944
Oct	129.5	-3.2	132.6	128.2	3,918	24,363
Dec	131.5	-3.3	135.8	131.0	9,875	65,987
Jan	133.4	-3.3	136.0	133.0	992	14,636
Mar	137.5	-3.4	141.3	137.5	1,086	13,047
May	141.2	-3.2	145.6	141.0	946	6,959
Total					21,257	[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	80.0	-	-	-	-	5
Mar	123.0	-	-	-	-	-
Apr	154.5	+0.5	[illegible]	150.5	140	2,140
May	164.5	+0.5	-	-	8,500	29
Jun	174.6	+0.5	-	-	-	-
Total					140	2,140

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Sep	880	-5	880	885	29	139
Oct	950	-30	965	950	14	497
Jan	[illegible]	-15	987	985	32	398
Apr	1016	-10	995	[illegible]	-	201
Jul	[illegible]	-10	-	-	-	200
Total					[illegible]	1,773

	Close	Prev
BFI	872	887

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	433.50	-1.50	436.00	433.50	53	359
Mar	463.00	-7.00	474.00	463.00	85	67
Total					140	[illegible]

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds Prices from Kenkko London $ per m/t. Iranian pistachios 28/30 raw (in shell) naturally opened (round): crop 1997 at $3,000 FCA or $2,900 CFR from Iran. Slow sales. Turkish hazelnuts 13/15 and 11/13, for new crop indication $3,850 CFR. Market falling. Indian cashews crop 1998 CFR from top shippers. W320 at $5,750, W240 at $7,150. US almonds standard 5 per cent crop 1998 at $4,500. Turkish apricots size 1 at $2,550, size 2 at $2,500, size 4 at $2,400. Turkish sultanas type 9, special clean FOB, crop 97 at $1,100, crop 98 at $1,075. US sunflower seeds: market at $795 for second-hand goods.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	998	-8	1003	1003	13	56
Dec	1030	[illegible]	1046	1028	4,401	67,256
Mar	1060	-8	1075	[illegible]	[illegible]	[illegible]
May	[illegible]	-8	1095	1070	258	19,110
Jul	1100	[illegible]	1112	1098	131	8,402
Sep	1119	-10	1135	1125	230	27,325
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1533	-30	1570	1531	3,795	33,040
Mar	1575	-28	1606	1571	347	19,075
May	1602	-27	1630	1602	140	6,052
Jul	1630	-26	1656	1632	44	1,817
Sep	1650	-23	1680	1683	10	1,691
Dec	1685	-22	1698	1679	210	4,616
Total					[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Sep 16	Price	Prev. day
Daily	1227.57	1254.59

■ COFFEE LIFFE (5 tonnes; $/tonne)

Sep	1666	+2	1675	[illegible]	[illegible]	1,817
Nov	1615	-4	1630	1613	1,601	29,848
Jan	1588	-	1572	1556	633	6,296
Mar	1530	-	1540	1580	378	2,273
May	1515	+2	1522	1515	354	581
Jul	1505	+2	1517	1505	215	197
Total					[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Sep	111.25	-0.05	111.55	108.00	[illegible]	318
Dec	104.80	+0.30	105.80	101.10	5,685	16,800
Mar	103.95	+0.50	104.75	101.00	[illegible]	6,994
May	105.00	+0.75	105.00	102.25	264	3,195
Jul	105.75	+0.60	106.00	103.50	47	1,473
Sep	105.50	+0.20	106.75	104.75	157	1,529
Total					[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Sep 15		Prev. day
Comp. daily	94.58	93.22
15 day average	90.94	90.14

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	220.7	+4.6	221.0	215.0	1,162	15,430
Mar	226.9	+4.5	227.0	222.9	651	14,170
May	231.4	+4.5	230.8	230.8	394	2,840
Aug	236.9	+4.0	238.3	238.3	28	1,885
Oct	238.4	+1.8	236.0	236.0	20	992
Dec	241.9	+3.2	240.1	238.1	44	138
Total					2,144	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	7.31	+0.16	7.32	7.20	11,788	55,168
Mar	7.70	+0.12	7.81	[illegible]	6,907	64,032
May	7.90	+0.09	[illegible]	7.87	613	9,775
Jul	8.04	+0.09	8.05	8.02	126	7,107
Oct	8.25	+0.11	8.23	8.22	56	5,813
Total					[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	73.52	+0.22	74.05	73.15	597	2,358
Dec	74.97	+0.31	75.48	74.35	4,535	35,923
Mar	74.43	+0.11	[illegible]	74.05	1,181	20,512
May	74.25	+0.10	74.45	73.92	184	10,240
Jul	74.70	+0.10	74.75	74.50	182	6,535
Total					6,709	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	110.00	-0.35	110.35	109.40	2,090	15,283
Jan	112.70	-1.30	113.25	112.40	473	8,701
Mar	115.85	-0.55	116.40	115.50	[illegible]	3,895
May	118.35	-0.20	-	117.00	43	718
Jul	121.10	-0.20	-	-	5	352
Sep	122.10	-0.20	-	-	-	35
Total					[illegible]	[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 16	Sep 15	month ago	year ago
1480.4	1466.4	1522.8	1804.7

■ CRB Futures (Base: 1967 = 100)

Sep 15	Sep 14	month ago	year ago
203.74	201.58	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 15	Sep 14	month ago	year ago
148.68	147.82	143.15	[illegible]

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+12,[illegible]	to	[illegible]
Aluminium alloy	-20	to	77,180
Copper	+2,600	to	[illegible]
Lead	-275	to	115,675
Nickel	[illegible]	to	58,362
Zinc	+3,075	to	380,750
Tin	+250	to	7,770

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	61.450	-0.675	62.050	61.300	8,679	31,158
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	63.850	-0.225	64.475	63.625	1,927	16,094
Apr	64.950	-0.125	65.550	64.900	1,135	8,070
Jun	62.550	-	62.975	62.500	330	5,079
Aug	62.350	-	62.750	62.300	25	1,282
Total					18,748	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Oct	40.675	-0.300	42.250	40.625	4,277	13,060
Dec	40.725	-0.150	41.800	40.600	3,187	13,134
Feb	44.950	-0.050	45.700	44.900	983	5,198
Apr	47.050	-	47.700	47.050	217	1,789
Jun	56.350	+0.400	56.400	55.900	183	928
Jul	55.750	+0.350	55.750	55.100	98	518
Total					[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	45.775	-1.575	48.400	45.550	1,393	2,794
Mar	46.400	-0.550	48.000	46.225	70	180
May	46.900	-0.600	48.450	48.000	4	15
Total					1,393	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1350	46	76	[illegible]	42
1400	22	48	58	66
1450	10	33	92	97
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1600	100	116	26	58
1700	42	82	70	98
1800	16	46	140	157
■ COFFEE LIFFE	[illegible]	Nov	[illegible]	Nov
1600	31	51	1	[illegible]
1650	1	28	21	[illegible]
1700	1	16	70	101
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1025	26	35	1	30
1050	5	24	4	44
1075	1	17	[illegible]	62
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1250	-	-	-	[illegible]
1300	-	-	-	-
1350	-	-	-	-

LONDON SPOT MARKETS

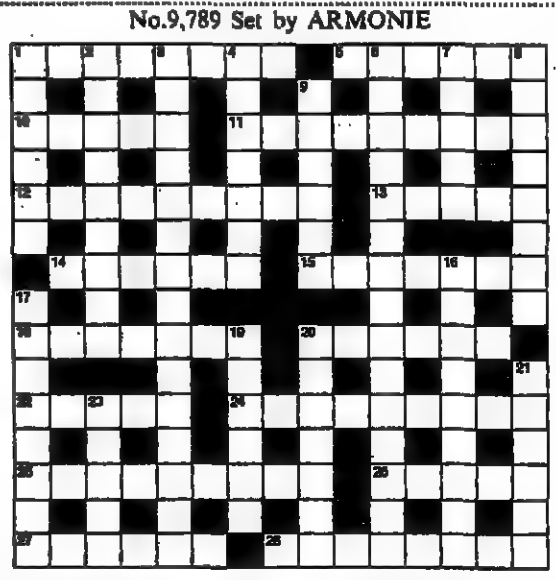
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$12.75-2.80x	+0.185
Brent Blend (dated)	$12.75-2.81	+0.095
Brent Blend (Nov)	$13.33-3.38	-0.050
W.T.I.	[illegible]	
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$150-152	+1
Gas Oil	$123-125	
Heavy Fuel Oil	$60-61	
Naphtha	$127-129	
Jet fuel	$139-140	+1
Diesel	$137-139	+3.5
■ NATURAL GAS (Pence/therm)		
Bacton (Oct)	12.55-12.58	[illegible]
Petroleum Argus. Tel London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)§	$288.85	-0.85
Silver (per troy oz)§	495.80c	+1.00
Platinum (per troy oz.)	$365.00	-4.50
Palladium (per troy oz.)	[illegible]	+2.00
Copper	84.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.23r	
Tin (New York)	280.5	
Cattle (live weight)	77.89p	-2.17*
Sheep (live weight)	74.69p	-4.18*
Pigs (live weight)†	40.89p	-2.02*
Lon. day sugar (raw)	$170.70	+6.70
Lon. day sugar (wte)	$216.00	+6.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.80	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	47.00p	
Rubber (Nov)♥	47.50p	
Rubber (KL RSS No1)	259.00m	+0.50
Coconut Oil (Phil)§	$637.5y	-5.0
Palm Oil (Malay.)§	$572.5	[illegible]
Copra (Phil)§	$410.0y	-5.0
Soyabeans (US)	150.0y	
Cotton Outlook'A' index	65.95	
Wooltops (64s Super)	300p	

[illegible]

JOTTER PAD

CROSSWORD

No.9,789 Set by ARMONIE



ACROSS

1 Rot a bit of material found in inferior fuel source (4-4)
5 Dagger damaged blouse (6)
10 Carnivore decapitated craftsman (5)
11 One changes, beams, and curtseys to occultist (3,6)
12 Dolly eats chicken in the temple (9)
13 Tiresome beat starts to test hotel resident's unruffled manner (5)
14 Legitimate sovereign gets nasty (6)
15 Trotsky's primary explanation for sedition (7)
18 Before the nonsense there's support for the entertainer (7)
20 Tempt parent maliciously (6)
22 A branch displaying betting equipment (5)
24 I hope Curt developed Shakespearean character (9)
25 Returning thanks, here and now (2,7)
26 Plane crash in the country (5)
27 Recruit is silent, oddly enough (6)
28 One giving away drink containing receptacle (8)

DOWN

1 Incite to play wildly during exercises (6)
2 Alabama bird consumed something different (9)
3 Advertising harridan's month of inexorable development (5,2,8)
4 Service book for German standard's spoken about (7)
6 Law officer bends birch, say, on smuggler. About time! (3,6,6)
7 Goddess seized in both hands, subsequently (5)
8 Bob's friend Ann is a composer (8)
9 Set about fastening musical instrument (6)
16 Careless friends climb over dwarf (4-5)
17 A parson's first love, say, is a heretic (8)
19 Page wearing drunkard's hat (6)
20 Object endlessly to the French style (7)
21 A more sophisticated fan (6)
23 Offend sick person being laid up (5)

Solution 9,788

RENEGE IDEOGRAM
E A L M I R A O
TORTUROUS TOBIT
A R Y R C E B H
IRAN MAYONNAISE
N T P B H S R
EMIGRES DRIVEL
R V R R S C
PENCIL FELSPAR
S O O A H I I
PARACELSUS JAMB
O I I L C F N B
KYOTO AMERICANA
E J U R T R D G
NEARSIDE IMPEDE

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

BT Fund Managers (Ireland) Ltd (u)

6 George's Dock, IFSC, Dublin 1

BT Investment Funds

Bank of Cyprus Group

Lazard Investment Funds Ltd

Baring International Fd Mgrs (Ireland) Ltd

John Hancock Funds Plc

Super Phoenix Fund II

Citizens Investment Trust Mngt Company

City of London Investment Mgmt Co., Ltd

CoreStates Fund Management (Ireland) Ltd

DMG International Fund

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd

Natwest Reserve Funds Plc

Daiwa Europe Fund Mgrs Ireland Ltd

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Eramet overcomes lower nickel prices in first half

Canadians to spend US$2

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 0041 313291111

[illegible]

For Banque Indosuez see Credit Agricole Indosuez

Barclays Diversified Portfolio (z)

[illegible]

Barclays Inv Funds (Luxembourg)

28 Place de la Gare, L-1616 00 352 404344

[illegible]

GT Global

(44) 171 710 4567 London (852) 2842 7280 Hong Kong

[illegible]

HSBC Investment Funds Luxembourg SA (u)

[illegible]

Henderson Management SA (u)

[illegible]

Mercury Asset Management - Contd.

[illegible]

Morgan Stanley Sicav

[illegible]

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

Credit Suisse Asset Mgmt Funds - Contd.

[illegible]

Merrill Lynch Asset Management - Contd.

[illegible]

UBS AG - Contd.

[illegible]

OFFSHORE INSURANCES

[illegible]

Hansard Europe Limited

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Royal Skandia Life Assurance Ltd (z)

BEA Associates

Julius Baer Bank & Trust Co Ltd

Banca Reig, S.A. (Principality of Andorra)

Banco do Brasil–BB Fund

Banc Internacional D'Andorra Banca Mora

Bank of America

Bank of Nova Scotia Trust Co (Cayman) Ltd

Daltec Panamerica Trust Company Ltd

Deutsche Bank A.G.

Discover Investment

Dragon Securities Ltd

Dresdner RCM Global Investors (UK) Ltd

Dresdner Bank Investment Group

Global Asset Management

Indosuez Emerging Markets Asset Mgmt SA

Magney Management Limited

Pacific Chartered Capital Mgmt Limited

Scottish Widows International Ltd

OTHER OFFSHORE FUNDS

AXA Asset Management

The Glasgow Property Fund Ltd - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†N	475	-10	648	414	2,458	5.2	11.6
Bulmer (HP)		334	-2	485½	295	-	5.6	14.4
Burn Stewart	‡	11	-	53½	6½	135	19.3	-
Diageo	♣‡	594	+9	795	432	6,699	3.8	25.9
Glenmorangie A		822½	-7½	975½	755	-	2.2	19.2
B		907½	-20	1090	890	-	1.9	42.3
Highland	†	233	+1	325	225	116	4.8	19.8
5¾pc Cv Sb Bd		93	-½	99½	86½	-	6.4	-
Kirin Y		495¾	+8	888	416¾	-	1.1	-
Matthew Clark	♣	131½xd	-	298	130	15	12.4	4.5
Merrydown		36½	-	74½	35½	-	-	♣
Seagram C$		£19½		£28	£18	-	1.5	-

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
ABN Amro Fl		£12⅛	[illegible]	£16	£10	-	2.7	16.2
ANZ A$		319¼	+1	516¼	293¼	-	6.4	♣
Abbey National	†	1188xd	-11	1348	779½	7,737	3.4	17.5
Alliance & Leicester	♣†	875xd	-17	1092	585	2,495	3.2	16.5
Allied Irish £	♣†	793	+14½	1000½	495½	-	2.4	22.1
Anglo Irish £	♣†	143½	-	180	90½	188	2.7	19.9
Asahi Y		182½	-2¼	389½	170	-	1.4	-
Banco Bilbao Viz Pta	s	[illegible]	[illegible]	[illegible]	[illegible]	-	2.2	22.7
Banco Santander Pta	†	[illegible]	[illegible]	[illegible]	[illegible]	-	4.5	11.4
Bank Ireland £	♣	945	+8½	1332½	720	-	2.7	15.4
Bank Scotland	♣	603	+10½	813	390½	1,849	2.9	16.1
9¼pc Ird Pf		173¼	-2	174	133½	-	6.7	-
9¼pc Ird Pf		182¼	-¾	183¼	140¾	100	6.7	-

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by [illegible], part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of those foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred

q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on ...

H Yield based on prospectus or other official estimates for 1998. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings.

... prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: ex dividend; ex scrip issue; ex rights; ex all; ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

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LONDON STOCK EXCHANGE

Footsie edges higher ahead of Greenspan speech

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market posted its third straight gain yesterday, as investors continued to respond positively to recent hints by global policymakers that the next move in interest rates on both sides of the Atlantic might be down.

But the eventual modest gain in the market was hard won. A fierce battle developed between the market's bulls and bears towards the close of trading yesterday, with the former only just managing to emerge on top after a desperate tussle during the last hour of business.

The late bout of nervousness came just ahead of the testimony by Alan Greenspan, the chairman of the US Federal Reserve, to the Senate Banking Committee.

At the close, the FTSE 100 index had posted a 10.0 gain at 5,291.7, extending the rise over the past three sessions to 173.1, or 3.4 per cent. At its best, in mid-morning, when interest rate optimism was at its height, the index showed a 78.9 gain at 5,360.6.

Gains were spread across the market, with the FTSE 250 index ending 35.3 ahead at 4,758.6, having hit a session peak of 4,766.6 over the lunchtime period.

There was less enthusiasm for the smallcaps, however. The FTSE SmallCap index nudged up only 1.9 to 2,091.8.

The UK's rise was in line with strength on European bourses and Tuesday's rise on Wall Street.

Marketmakers said there had been a growing feeling that the market has weathered the worst of the recent storms triggered by economic and financial crises in Asia and Russia, which many observers feared would have a big impact on Latin America.

"It's probably best not to run away with the idea that the turbulence is over and that we're back on the up escalator, but the market does feel healthier," noted one dealer.

Also released yesterday were the minutes of the August meeting of the Bank of England's monetary policy committee, after which interest rates were left on hold. The minutes revealed that seven members had voted for no change in interest rates, with one asking for a rate rise and one for a reduction.

The next meeting of the MPC is on October 8, while the US Federal Reserve's open market committee meets on September 29.

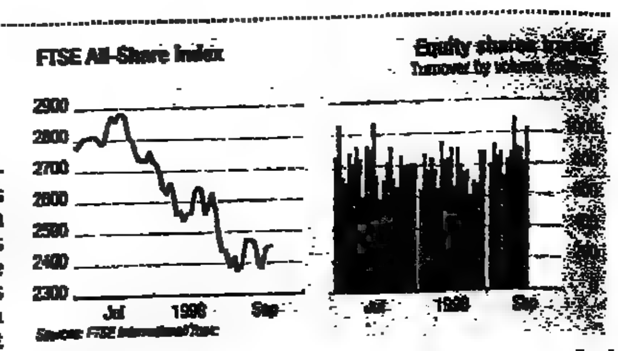
The day's domestic economic news was given a warm welcome, helping to boost returning confidence in the stock market. Average earnings for June rose 4.7 per cent, year-on-year, down from a May figure of 5 per cent, in line with most forecasts. Unemployment in August fell 16,400, more than most had expected.

Financial stocks, which have taken a battering during the market's hefty falls in recent months, were in the vanguard of yesterday's advance, reflecting the rate cut view and perceptions that the stocks have been heavily oversold during that time.

Lloyds TSB, whose shares have fallen by about 35 per cent from their 52-week high of £10.90, was among the best Footsie performers.

Turnover in equities topped the 1bn mark, finishing at 1.01bn, with activity in non-FTSE 100 stocks accounting for 43 per cent of the total.

FTSE All-Share Index / **Equity shares traded**



Indices and ratios

FTSE 100	5291.7	+10.0
FTSE 250	4758.6	+35.3
FTSE 350	2529.2	+7.2
FTSE All-Share	2451.66	+6.77
FTSE All-Share yield	3.21	3.22
FT 30	3267.0	+1.0
FTSE Non-Fins p/e	20.84	20.90
FTSE 100 Fut. Sep	5292.0	+17.0
10 yr Gilt yield	5.21	5.22
Long gilt/equity yld ratio	1.63	1.62

Best performing sectors

1 Diversified Industrials +4.82
2 Insurance +3.53
3 Oil Exploration & Prod +3.22
4 Banks: Retail +1.66
5 Telecommunications +1.65

Worst performing sectors

1 Tobacco -1.33
2 Electronic & Elect Equip -1.50
3 Household Goods & Texts -2.77
4 Gas Distribution -4.45
5 Breweries, Pubs & Rest -4.84

Negative update hits Bass

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Drinks and hotels group Bass tumbled after the market digested what it interpreted as a profits warning in the company's trading update.

A Bass statement said the group had seen a good performance across its hotels business but warned: "We have experienced difficult trading conditions over the summer in our UK businesses due to the poor weather, a general softening in consumer demand and other external economic and social factors."

One sector specialist said: "We knew things were slowing but the company seemed even more downbeat with analysts than in the statement, which only increases the concerns."

The shares fell 97p or nearly 12 per cent to 725p as analysts downgraded profit expectations by about £50m to about £638m for the current year. The Bass news also hit Scottish & Newcastle which fell 49½ to 735p.

A broker's recommendation helped Whitbread regain some of the ground it lost in a sharp retreat late on Tuesday. The shares yesterday rose 9 to 780p.

Credit Lyonnais Securities upgraded its recommendation on the stock to "buy" from "hold", saying "concerns over Whitbread's consumer exposure have now been overdone ... the shares are now attractive". However, Credit Lyonnais cut its profits forecast for the current year by £9m to £374m and reduced its year-to-2000 estimate by £28.3m to £387m, blaming slower projected consumer spending.

Growing expectation that the next move in UK interest rates is likely to be down produced a burst of support for the financial sector, which has been battered since the emergence of the turmoil affecting Asia, Russia and Latin America.

Lloyds TSB held top spot in the FTSE 100 table for much of the day, ousted only at the close by Enterprise.

Badly bruised by the fear of the financial crises shifting to Latin America, where it has substantial exposure, Lloyds TSB shares have fallen about 35 per cent from their 52-week high of £10.90. Yesterday the stock was sharply higher, closing up 40 up at 717p after heavy turnover of 14m shares. Credit Lyonnais Securities was one of the prime movers behind the strong showing.

FT 30 INDEX

	Sep 16	Sep 15	Sep 14	Sep 11	Sep 10	Yr ago	*High	*Low
FT 30	3267.0	3266.0	3271.2	3187.3	3217.9	3234.3	3884.0	[illegible]
Ord. div. yield	3.26	3.27	3.27	3.35	3.32	3.60	4.22	2.72
P/E ratio net	20.55	20.51	20.51	20.01	20.20	20.43	25.41	15.80
P/E ratio nil	20.46	20.42	20.43	19.93	[illegible]	20.15	25.19	16.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3266.0	3265.4	3266.1	3266.1	3276.0	3281.7	3284.2	3261.3	3307.9	3251.3

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STOCK MARKET TRADING DATA

	Sep 16	Sep 15	Sep 14	Sep 11	Sep 10	Yr ago
SEAQ bargains	62,925	57,400	62,359	66,766	69,009	45,384
Equity turnover (£m)†	-	2443.8	2875.3	3742.1	2777.5	2156.8
Equity bargains†	-	42,083	47,839	[illegible]	41,482	39,259
Shares traded (m)†	-	797.7	840.0	1091.5	922.4	660.0
Total market bargains‡	-	57,367	62,778	65,566	60,340	-
Total turnover (£m)‡	-	3445.8	3833.3	4845.2	4051.5	-
Total shrs traded (m)‡	*1010.2	967.8	1046.1	1405.9	1165.1	-
Tradepoint turnover (£m)	28.0	17.4	31.1	40.5	35.2	2.6
Tradepoint shrs traded(m)	9.6	6.6	11.6	12.2	10.2	0.5

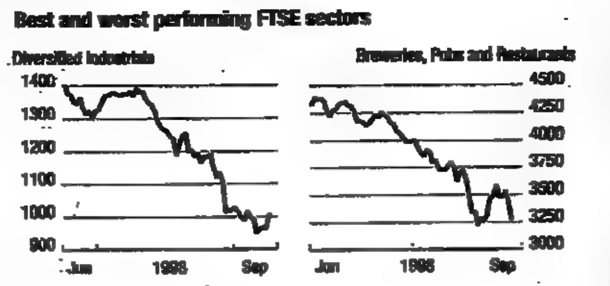
†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	779	Total Highs	50	Total contracts	62,780
Total Falls	668	Total Lows	124	Calls	40,161
Same	1,618			Puts	22,619

*Sep 16 *Data based on Equity shares listed on the London Share Service.

Best and worst performing FTSE sectors



Somerfield, the supermarkets group, pleased the market with a positive trading update at its annual general meeting.

The group, which pulled out of merger discussions with Booker earlier this week, said like-for-like sales in the first 16 weeks of its financial year were up 3.8 per cent and that it was on course for substantial cost savings after its takeover of Kwik-Save. Somerfield shares closed up 22 at 467½p.

Rolls-Royce slips

Rolls-Royce was easier at 200p as Mercury Asset Management said it had sold 12m shares, leaving it with 180m or 12 per cent of the company. The stock reached 305p earlier this year.

BG lost 19½ to 375½p after announcing second-quarter figures well below market expectations.

Net profits excluding disposals and windfall tax came in at £105m, down from £134m the previous year and below a range of forecasts. The first-half dividend was raised 7.5 per cent to 4.3p.

Steve Turner at HSBC believes yesterday's decline in BG was "an overreaction as the basic business is in good shape". The analyst maintained his 400p near-term price target.

Enterprise Oil was the best performer in the FTSE 100 as Lehman Brothers reiterated its "outperform" stance following a positive meeting with the company.

The shares jumped 24½ to 390p with Lehman reported to have said Enterprise, together with its partners in the Gulf of Mexico, had raised its reserve estimates for the Llano prospect and surrounding areas to 1bn barrels a day against previous forecasts of 300m barrels.

Although bears suggested Enterprise was being too optimistic, sentiment was enhanced by a report suggesting Enterprise had ruled out a renewed bid for rival Lasmo.

Lasmo shares were in demand ahead of a presentation today on its Dacion interests in Venezuela. The shares gained 6 to 177p.

Footwear and sports clothing group Pentland rose 2 to 86¼p as it said it had bought back 10.4m shares at 84p.

The bidding war for chassis maker Dennis moved to a new phase as Mayflower, which is offering 450p a share in cash, announced a strategic alliance with Daimler-Benz. It said the alliance would include the Dennis operations should it win the bid. Mayflower stock was unchanged at 163p while shares in rival bidder Henlys were off 2 at 451p. Its cash-and-paper offer was last night worth 466p while Dennis closed down 2 at 464p.

Volvo of Sweden said it now had a 9.9 per cent stake in Henlys, near its 10 per cent target.

Logistics group Tibbett & Britten was off 45 at 382½p after it warned that its UK business had been affected by a slowing of demand in the retail sector. It said the poor summer and a slowdown in consumer spending had affected volumes.

Business Post hurt

The near-halving of shares in Business Post came after the parcel delivery group dumped its previous sales forecasts and said that, even if there was no economic downturn, it was likely to achieve only modest profit growth for the full year.

The shares, which stood at 958p earlier this year, fell 322½ to 365p, their lowest level for three years.

Confidence in the stock was hurt by the statement that comments made at the annual meeting in July were "unrealistic". The company said then that revenue had increased by 17 per cent compared with the same quarter of the previous year.

The market's worst performance came from Celtic Resources which dropped 2½ to 2p after the mining company unveiled a litany of troubles it had encountered in Russia.

These included frozen banks accounts, business partners that defaulted on debts to Russian banks, troubles in getting gold samples out of Russia for testing, problems in finding a strategic partner, and the suspension of talks aimed at securing project finance. Testing had been suspended and mining operations put on a care and maintenance basis.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5320.0	5292.0	+17.0	5370.0	5275.0	50425	104096
Dec	5400.0	5371.0	+21.0	5448.0	5356.0	35054	148208
Mar	5450.0	5415.0	+19.0	5450.0	5450.0	250	1941

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4770.0	4770.0	+40.0	4770.0	4770.0	30	[illegible]
Dec	4832.0	4830.0	+40.0	4832.0	4830.0	30	[illegible]

■ FTSE 100 INDEX OPTION (LIFFE) (*5283) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
920	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10.28	Nil	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

pm premium.

FTSE GOLD MINES INDEX

	Sep 16	% chg on day	Sep 14	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	[illegible]	-0.5	964.28	1332.[illegible]	[illegible]	-	[illegible]	[illegible]
■ Regional Indices								
Africa (9)	1065.89	+1.5	1059.56	1346.2[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (7)	1041.72	-3.7	1081.37	1461.[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Americas (11)	905.02	-0.9	913.70	1324.7[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 16	Day's chge%	Sep 15	Sep 14	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5291.7	+0.2	5281.7	5268.6	[illegible]	3.12	2.66	1.97	20.30	114.89	2330.88
FTSE 250	4758.6	+0.7	4723.3	4736.7	4686.8	3.42	2.80	2.04	17.88	101.36	2052.93
FTSE 250 ex Inv Tr	4811.6	+0.7	4779.3	4793.8	4700.3	3.61	2.89	2.11	16.85	104.70	2083.95
FTSE 350	2529.2	+0.3	2522.0	2518.1	2412.2	3.17	2.70	1.99	19.83	54.70	2275.82
FTSE 350 ex Inv Tr	2538.4	+0.3	2529.7	2525.6	2413.9	3.18	2.71	2.00	19.83	[illegible]	1170.68
FTSE 350 Higher Yield	2446.7	+0.1	2444.6	2445.3	2329.4	4.27	3.64	1.91	15.34	68.26	1884.72
FTSE 350 Lower Yield	2613.9	+0.4	2602.2	2594.4	2490.0	2.30	[illegible]	2.10	25.81	43.77	1909.00
FTSE SmallCap	2091.80	+0.1	2089.92	2093.96	2285.37	3.87	3.15	1.95	16.57	43.38	1830.21
FTSE SmallCap ex Inv Tr	2084.17	-0.1	2085.53	2090.59	2264.52	4.13	3.35	2.04	14.82	45.34	1842.57
FTSE All-Share	2451.66	+0.3	[illegible]	2441.38	2356.67	3.21	2.72	[illegible]	19.82	52.87	2238.83
FTSE All-Share ex Inv Tr	2462.44	+0.3	2456.28	2452.77	2358.88	3.23	2.74	2.00	19.34	53.48	1156.88

■ **FTSE Actuaries Industry Sectors**

	Sep 16	Day's chge%	Sep 15	Sep 14	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(23)	4007.52	-0.6	4030.02	4018.04	4081.06	3.69	3.30	1.69	20.18	93.29	1862.35
12 Extractive Industries(6)	2578.61	-1.0	2605.04	2516.09	4110.27	5.40	4.07	2.00	11.58	100.28	821.90
15 Oil, Integrated(4)	[illegible]	-0.8	4629.60	[illegible]	5334.15	3.55	3.16	1.85	21.32	98.59	2183.04
16 Oil Exploration & Prod(13)	2130.87	+3.2	2064.19	2042.11	3769.59	2.54	2.22	0.99	48.86	45.60	1332.67
20 GEN INDUSTRIALS(215)	1655.71	-0.3	1660.01	1682.40	2102.65	4.41	3.80	3.21	12.04	47.00	981.27
21 Construction(38)	1223.26	+0.1	1221.58	1230.69	1383.39	4.14	3.36	2.84	10.64	25.84	1095.28
22 Building Matls & Merchs(28)	1395.69	+0.8	1385.15	1387.73	1873.58	5.26	4.80	2.09	11.37	42.08	785.49
23 Chemicals(22)	1877.42	+0.2	1872.98	[illegible]	2697.24	5.18	4.82	1.70	14.15	63.29	870.08
24 Diversified Industrials(7)	1004.14	+4.8	965.31	967.25	1490.54	5.75	5.36	2.03	10.88	56.21	835.52
25 Electronic & Elect Equip(28)	[illegible]	-1.5	3451.09	2450.97	2178.70	3.16	2.57	1.82	21.73	53.78	[illegible]
26 Engineering(63)	2113.78	-0.7	2128.17	2180.85	2660.58	4.53	4.02	2.26	12.20	59.19	1374.16
27 Engineering, Vehicles(11)	3185.59	-0.8	3210.80	3256.82	3341.30	2.80	2.56	3.25	13.76	59.53	1764.07
28 Paper, Pckg & Printing(22)	[illegible]	+0.1	1584.40	1545.66	2256.46	5.66	5.15	2.43	9.08	[illegible]	717.51
30 CONSUMER GOODS(90)	[illegible]	—	5433.52	5431.01	4614.73	2.84	[illegible]	1.78	26.48	100.12	2156.15
32 Alcoholic Beverages(6)	3300.84	+0.8	3274.01	3312.43	3315.43	4.10	3.47	1.80	19.07	69.61	1293.97
33 Food Producers(25)	3440.70	-1.3	3486.20	3545.29	3028.80	3.05	2.60	2.12	19.32	69.65	1676.83
34 Household Goods & Texts(24)	2432.28	-2.8	2501.62	2557.82	3150.31	4.39	3.81	1.32	15.11	55.63	[illegible]
36 Health Care(13)	2180.47	-0.7	2194.94	2212.81	2219.86	2.37	2.19	2.27	23.23	32.15	1398.66
37 Pharmaceuticals(19)	9603.16	+0.6	9549.40	9474.07	7543.53	1.83	1.71	1.59	42.93	155.31	3456.97
38 Tobacco(2)	5821.38	-1.3	5900.00	5951.93	4302.45	5.98	[illegible]	1.96	10.63	130.10	1629.34
40 SERVICES(276)	3264.86	+0.1	3260.51	3238.21	2789.18	2.82	2.16	2.04	23.33	53.95	1606.82
41 Distributors(30)	1949.45	-0.5	1958.55	1987.72	2804.48	5.08	4.20	1.97	12.49	82.04	774.12
42 Leisure & Hotels(37)	2815.67	-0.4	2825.80	2883.84	3206.29	3.36	[illegible]	2.61	14.28	75.34	1605.74
43 Media(40)	4036.81	+0.5	4015.24	4021.17	4239.52	[illegible]	2.17	2.14	22.52	76.86	1538.72
44 Retailers, Food(13)	2984.88	-0.5	3000.80	2986.80	2481.08	3.04	[illegible]	2.12	19.43	65.28	2046.09
45 Retailers, General(49)	2115.70	-0.6	2127.94	2135.48	2262.98	3.52	[illegible]	2.21	16.05	48.20	1300.53
46 Telecommunications(8)	4679.76	+1.7	4603.72	4468.83	[illegible]	1.85	1.58	1.49	45.42	47.70	2235.37
47 Breweries, Pubs & Rest.(24)	3278.26	-4.8	3445.08	3525.04	3370.92	3.75	3.01	2.36	14.09	65.00	1883.12
48 Support Services(54)	4263.01	-0.4	4278.66	4282.48	3250.38	1.47	1.24	2.73	31.17	[illegible]	2812.32
49 Transport(24)	3402.50	+0.9	3373.30	3327.16	2951.39	3.11	2.58	1.65	24.34	69.42	1529.17
60 UTILITIES(22)	4125.75	-1.1	4173.10	4170.89	3103.36	[illegible]	3.21	1.77	17.97	92.24	1989.70
62 Electricity(8)	4524.20	—	4523.23	4548.38	3517.48	4.45	3.58	1.90	14.81	113.98	2675.78
64 Gas Distribution(2)	3193.37	-4.5	3342.33	3274.07	2299.64	2.11	1.69	‡	‡	26.03	1845.68
68 Water(12)	[illegible]	—	3676.47	3707.86	2851.39	4.65	3.98	2.33	11.58	112.14	2301.74
69 NON-FINANCIALS(627)	2536.88	-0.1	2540.42	2537.43	2377.11	3.09	2.65	1.94	20.84	50.20	2079.09
70 FINANCIALS(105)	4507.70	+1.5	4441.98	4432.06	4821.35	3.64	3.02	2.17	15.81	128.49	2104.47
71 Banks, Retail(12)	[illegible]	+1.7	6237.39	6208.56	7121.01	4.02	[illegible]	2.12	[illegible]	[illegible]	2245.18
73 Insurance(16)	2085.98	+3.5	2014.97	2026.56	1880.13	[illegible]	3.19	2.23	16.84	73.90	1745.75
74 Life Assurance(7)	7113.81	+0.1	7105.94	7037.23	5158.90	[illegible]	2.32	2.98	18.07	118.11	3182.69
77 Other Financial(25)	3485.59	+0.6	3463.83	3493.82	3300.82	3.08	2.54	2.54	15.97	82.55	2136.11
79 Property(45)	1863.83	+0.1	1862.58	1881.45	[illegible]	3.53	2.97	1.64	21.56	38.88	1232.51
80 INVESTMENT TRUSTS(115)	3224.88	+1.3	3185.03	3186.87	3491.58	2.52	2.05	1.17	42.36	51.60	1180.93
89 FTSE All-Share(847)	2451.66	+0.3	2444.89	[illegible]	2356.67	3.21	2.72	1.98	19.82	52.87	[illegible]
105 FTSE All-Share ex Inv Tr(732)	2462.44	+0.3	2456.28	2452.77	2358.88	3.23	2.74	2.00	19.34	53.48	1156.88
Information Technology	1449.88	+1.6	1427.34	1421.55	-	0.66	0.52	4.02	[illegible]	5.10	[illegible]
FTSE Fledgling	1170.35	—	1169.88	1169.86	1267.45	3.78	3.08	1.40	[illegible]	25.85	[illegible]
FTSE Fledgling ex Inv Tr	1197.05	-0.1	1198.73	1199.58	1271.36	4.08	3.31	1.48	20.72	29.08	1343.06
FTSE AIM	886.1	-0.1	887.1	890.3	1014.3	1.28	1.02	0.28	80.00†	7.45	821.40

■ **Hourly movements**

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5281.7	5344.0	5346.3	5344.2	5323.5	5329.8	5304.3	5278.2	5360.6	5275.8
FTSE 250	4734.8	4748.6	4757.6	4763.9	4764.5	4764.1	4764.7	4758.6	4766.6	4736.7
FTSE 350	2523.1	2548.9	2550.6	2550.4	2542.3	2544.7	2534.8	2524.1	2558.2	2523.5
FTSE SmallCap	2092.04	2092.80	2092.78	2092.69	2092.78	2092.38	2092.63	2091.89	2092.89	2090.42
FTSE All-Share	2446.02	2469.77	2471.35	2471.14	2463.73	2465.82	2458.80	2446.80	2476.48	2446.36

Time of FTSE 100 Day's high: 11:22:15 Day's low: 16:08:00 FTSE 100 1998 High: 6179.0 (20/07/98) Low: 5058.8 (12/01/98)
Time of FTSE All-Share Day's high: 11:22:00 Day's low: 16:09:00. FTSE All-Share 1998 High: 2899.20 (20/07/98) Low: 2324.20 (07/09/98)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletion: Unity Cable (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

[illegible]

Based on trading volume for the FTSE 100 constituent companies and major companies until 4.30pm. † Indicates a FTSE 100 index member.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 16 / Sch)

BELGIUM/LUXEMBOURG (Sep 16 / Frs.)

CZECH REP (Sep 16 / Koruna)

DENMARK (Sep 16 / Kr)

FINLAND (Sep 16 / Mka)

FRANCE (Sep 16 / Frs.)

GERMANY (Sep 16 / Dm.)

GREECE (Sep 16 / Drachma)

ITALY (Sep 16 / Lire)

NETHERLANDS (Sep 16 / Fls.)

NORWAY (Sep 16 / Kroner)

POLAND (Sep 16 / Zloty)

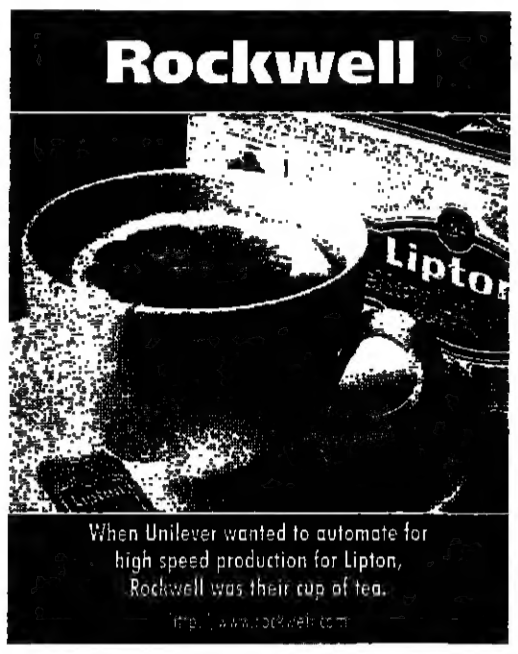
PORTUGAL (Sep 16 / Escudo)

SPAIN (Sep 16 / Pts.)

SWEDEN (Sep 16 / Kronor)

SWITZERLAND (Sep 16 / Frs.)

TURKEY (Sep 16 / Tk Lira)



PACIFIC

JAPAN (Sep 16 / Yen)

AUSTRALIA (Sep 16 / Aust.$)

HONG KONG (Sep 16 / H.K.$)

INDONESIA (Sep 16 / Rupiah)

MALAYSIA (Sep 16 / MYR)

NEW ZEALAND (Sep 16 / NZ $)

SINGAPORE (Sep 16 / S$)

SOUTH KOREA (Sep 16 / Won)

TAIWAN (Sep 16 / TW $)

THAILAND (Sep 16 / Baht)

AMERICAS

CANADA

TORONTO (Sep 16 / Can $)
4 pm close

MONTREAL (Sep 16 / Can $)
4 pm close

MEXICO (Sep 15 / Peso)
Closed Sep 16

AFRICA

SOUTH AFRICA (Sep 16 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 15 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 14 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	176.37	1.9	156.23	148.00	154.68	196.96	1.8	3.80	173.03	153.00	145.53	153.21	193.40	238.24	163.86	225.73
Austria (22)	186.40	-2.0	165.12	156.42	163.48	163.39	-3.0	2.07	190.28	168.25	160.04	168.48	168.37	253.73	181.60	195.63
Belgium (22)	370.76	0.9	328.44	311.13	325.17	318.20	0.0	2.15	367.33	324.79	308.94	325.24	318.32	398.52	234.33	242.30
Brazil (26)	143.89	18.2	127.46	120.75	126.20	312.21	18.1	3.77	121.69	107.60	102.35	107.75	264.24	308.59	102.68	258.67
Canada (119)	183.50	0.3	162.55	153.98	160.94	199.87	-0.4	2.01	182.86	161.68	153.79	161.90	200.61	248.78	167.18	216.13
Denmark (34)	475.46	-0.6	421.18	398.99	417.00	418.09	-1.4	1.55	478.54	423.13	402.48	423.71	421.98	537.33	384.24	384.24
Finland (26)	430.54	-1.5	381.39	361.29	377.60	464.06	-2.4	1.98	436.92	386.33	367.48	386.86	475.45	506.46	267.59	298.74
France (78)	301.07	0.8	266.70	252.64	264.05	267.13	-0.2	2.35	298.81	264.21	251.32	264.57	267.64	345.18	217.58	231.04
Germany (55)	267.64	-0.4	237.08	224.59	234.73	234.73	-1.4	1.36	268.75	237.63	226.03	237.96	237.98	325.61	204.89	214.51
Greece (37)	265.99	-0.4	235.62	223.21	233.28	552.47	-1.1	1.70	266.99	236.08	224.56	236.40	558.88	333.20	243.18	-
Hong Kong, China (86)	231.53	1.7	205.10	194.29	203.06	230.29	1.7	6.58	227.74	201.37	191.54	201.65	226.47	518.79	196.64	515.80
Indonesia (26)	23.21	-8.9	20.56	19.48	20.36	158.07	-12.4	4.14	25.47	22.52	21.42	22.55	180.48	158.30	23.21	156.23
Ireland (16)	423.93	0.4	375.53	355.74	371.81	402.60	-0.6	2.36	422.27	373.37	355.15	373.88	404.89	580.44	359.60	366.10
Italy (54)	148.33	0.1	131.40	124.47	130.09	184.59	-0.8	1.59	148.19	131.03	124.64	131.21	186.13	184.49	103.30	106.61
Japan (480)	84.58	0.2	74.92	70.97	74.18	70.97	0.0	1.11	84.39	74.62	70.97	74.72	70.97	123.57	78.40	120.17
Malaysia (106)	110.56	-1.1	97.94	92.78	96.97	161.81	-1.1	3.84	111.76	98.82	93.99	98.95	163.56	343.44	73.52	343.44
Mexico (29)	965.56	16.2	855.34	810.26	846.84	10778.88	12.6	2.53	830.82	734.62	698.76	735.62	9569.72	1901.98	787.15	1706.35
Netherlands (27)	460.09	-0.8	407.56	386.09	403.52	399.50	-1.8	2.33	463.94	410.22	390.20	410.78	406.75	562.38	390.20	398.95
New Zealand (14)	50.57	3.3	44.80	42.44	44.36	52.16	3.4	5.89	48.94	43.28	41.16	43.34	50.47	95.87	48.94	88.81
Norway (37)	226.18	-1.0	200.36	189.80	198.37	230.99	-1.7	2.73	228.47	202.02	192.16	202.29	234.90	374.64	208.82	338.55
Philippines (22)	45.15	3.6	40.00	37.89	39.60	98.61	4.0	1.66	43.58	38.54	36.65	38.59	94.80	107.48	42.48	107.48
Portugal (18)	248.73	0.2	220.35	208.72	218.14	294.33	-0.7	1.11	248.17	219.44	208.73	219.74	298.50	299.39	235.61	-
Singapore (41)	116.92	3.5	103.57	98.11	102.54	92.91	2.9	3.25	113.02	99.94	95.06	100.07	90.31	317.80	102.45	317.80
South Africa (39)	168.25	2.3	149.04	141.19	147.58	228.16	1.0	4.00	164.53	145.48	138.38	145.68	223.86	346.20	151.55	330.43
Spain (31)	312.69	0.2	277.00	262.40	274.25	339.40	-0.7	2.25	312.06	275.92	262.46	276.30	341.94	417.73	236.28	257.80
Sweden (49)	477.87	-0.2	423.32	401.01	419.11	547.97	-1.9	2.14	478.87	423.42	402.76	424.00	558.40	628.19	438.98	503.25
Switzerland (28)	376.54	-0.5	333.55	315.98	330.24	325.16	-1.3	1.28	378.24	334.44	318.12	334.90	329.30	439.48	297.28	297.28
Thailand (36)	8.79	-0.4	7.79	7.38	7.71	13.92	-0.5	6.77	8.83	7.80	7.42	7.81	13.99	45.52	8.15	40.13
United Kingdom (210)	343.50	0.0	304.28	288.25	301.26	304.28	0.2	3.22	343.51	303.73	288.91	304.15	303.73	401.84	308.33	308.33
USA (622)	422.70	0.8	374.45	354.71	370.73	422.70	0.8	1.55	419.30	370.75	352.65	371.25	419.30	485.88	358.31	374.72
Americas (796)	377.07	1.0	334.02	316.42	330.71	319.58	0.9	1.58	373.48	330.23	314.12	330.68	316.65	437.03	326.78	342.13
Europe (746)	324.38	-0.1	287.35	272.21	284.50	294.10	-0.7	2.29	324.67	287.08	273.07	287.47	296.10	386.24	267.44	272.02
Eurobloc (351)	94.00	0.0	83.27	78.88	82.44	89.19	-1.0	1.93	94.04	83.15	79.09	83.27	90.08	113.28	90.92	-
Nordic (148)	441.68	-0.6	391.26	370.64	387.38	436.71	-1.9	2.04	444.34	392.89	373.72	393.43	445.08	555.97	388.51	426.19
Pacific Basin (863)	88.72	0.5	78.46	75.29	78.69	76.52	0.3	1.87	89.27	78.93	75.08	79.04	76.28	138.87	83.29	136.68
Euro-Pacific (1609)	187.47	0.1	166.08	157.31	164.42	158.42	-0.4	2.18	187.33	165.64	157.56	165.87	159.07	220.19	172.03	193.17
North America (741)	406.73	0.8	360.30	341.31	356.72	407.43	0.8	1.57	403.52	356.80	339.39	357.29	404.33	469.20	349.06	364.88
Europe Ex. UK (536)	303.76	-0.1	269.06	254.90	266.41	280.23	-1.1	1.84	304.16	268.94	255.82	269.31	283.32	368.32	236.86	245.61
Europe Ex. Eurobloc (395)	88.41	-0.1	78.31	74.19	77.54	88.84	-0.3	2.67	88.53	78.28	74.46	78.39	87.15	103.93	86.54	-
Europe Ex. UK Ex. Eurobloc (185)	90.30	-0.4	79.99	75.78	79.20	86.37	-1.4	1.57	90.68	80.18	76.27	80.29	87.82	109.21	87.83	-
Pacific Ex. Japan (383)	143.12	1.6	126.78	120.10	125.52	151.18	1.5	4.88	140.83	124.53	118.45	124.70	148.89	279.07	128.26	279.07
World Ex. Eurobloc (2093)	89.11	0.7	78.93	74.77	78.15	89.22	0.8	1.85	88.50	78.25	74.43	78.36	88.70	103.16	83.83	-
World Ex. US (1822)	187.16	0.3	165.80	157.06	164.15	162.71	-0.2	2.20	186.61	165.00	156.95	165.23	163.06	221.91	175.30	197.29
World Ex. UK (2234)	255.49	0.6	226.32	214.40	224.08	231.29	0.3	1.70	253.89	224.49	213.53	224.80	230.52	298.02	234.24	248.81
World Ex. Japan (1964)	351.65	0.6	311.51	295.09	308.42	341.83	0.3	1.94	349.56	309.08	294.00	309.50	340.63	411.23	309.33	321.94
The World Index (2444)	262.99	0.8	232.97	220.69	230.66	237.96	0.3	1.86	261.52	231.24	219.95	231.55	237.20	306.56	241.30	254.01

Emerging markets: IFC investable indices

Dollar terms

Sept 15 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	693.09	+13.5	-37.9
Brazil	285.83	+17.0	-40.8
Chile	367.63	+7.1	-42.8
Colombia[1]	322.02	-0.0	-51.0
Mexico	415.78	+15.8	-47.2
Peru[2]	142.10	+3.7	-35.8
Venezuela[3]	268.88	+3.4	-70.6
East Asia			
China[4]	28.69	+3.7	-48.1
India[7]	66.67	-0.2	-20.0
Indonesia[8]	11.26	-8.8	-86.5
Korea[6]	23.90	-0.6	-0.5
Malaysia	62.31	-1.0	-31.6
Pakistan[9]	108.03	-2.4	-56.5
Philippines	64.86	+3.6	-42.5
Sri Lanka[10]	64.12	+2.4	-44.9
Taiwan, China[4]	105.71		-24.4
Thailand	33.11	-0.3	-29.6
Europe			
Czech Rep	44.01	-2.2	-19.6
Greece	478.64	-0.3	+47.7
Hungary[11]	194.70	-2.8	-38.1
Poland[12]	512.24	+0.5	-14.2
Portugal	276.29	-0.2	+30.9
Russia	23.24	-1.7	-84.4
Slovakia	55.99	+0.5	-43.5
Turkey[14]	135.54	-4.2	-56.6
Mideast/Africa			
Egypt	69.66	+0.1	-25.3
Israel	111.02	-1.0	-8.8
Jordan	225.92	-0.8	+7.4
Morocco	180.23	+0.6	+38.3
S Africa[15]	107.78	+2.9	-40.0
Zimbabwe[16]	120.69	-3.9	-52.0
Regions			
Composite	157.75	+4.1	-35.9
Latin America	377.44	+13.3	-44.3
Asia	75.60	-0.5	-29.8
EMEA	102.58	+0.2	-30.6
Europe	129.83	-1.2	-31.1
Easte Europe	50.47	-1.4	-64.1
ME & Africa	50.12	+1.6	-28.9

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

4 pm close September 16

NEW YORK STOCK EXCHANGE PRICES

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Price	Chng Prev. Close
118½	66 3/16	Xerox x	1.44	1.6	75	14283	90¼	87 7/16	89 5/8	+2¼
68 1/16	45½	Xtra Corp			15	168	55 5/8	54½	54½	-¾
26 13/16	22½	Yankee Egy x	1.38	5.6	19	112	24¾	24 5/8	24 5/8	+1/16
52¼	32 13/16	York Int	0.48	1.4	28	1010	34 7/16	33 13/16	34	+1/16
24 13/16	6 3/16	Zapata	0.28	2.6	3	1669	11	9 5/8	10 7/8	-1¼
30½	23 7/8	Zenith Nat	1.00	3.9	16	42	25 3/16	25 7/16	25 11/16	+1/8
9¾	5 3/8	Zenix Inc	0.70	10.8		98	6½	6 5/16	6 3/16	-1/16
14 5/8	8 5/8	Zweigfnd	1.24	11.7		411	10 11/16	10 7/16	10 9/16	-1/16
9 13/16	8¼	Zweig Totl x	0.84	10.0		509	8½	8 7/16	8 7/16	-1/16

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

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EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 16-09-1998	Close 16-09-1998	Previous 15-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1828.73	1820.64	1765.55	+55.09	+3.12	3451.60	1354.48
IN-FIN	DEM	2170.19	2158.80	2081.52	+77.18	+3.70	3060.15	1541.19
Non-durable goods	USD	1891.27	1892.21	1853.56	+38.65	+1.73	1760.72	1163.46
IN-GOODS	DEM	2007.47	1994.65	1949.56	+45.07	+2.31	2195.63	1399.45
Oils	USD	1001.10	1000.27	1388.09	+12.18	+0.84	1633.96	1132.90
IN-OIL	DEM	1544.64	1541.77	1518.69	+23.08	+1.52	3007.16	1399.72
Pharma-chemicals	USD	1429.07	1428.83	1421.08	+7.75	+0.54	1690.68	1227.09
IN-PHARMA	DEM	1696.82	1694.21	1675.49	+18.72	+1.11	2115.51	1475.94
Telecoms	USD	2132.58	2133.76	2128.60	+5.16	+0.24	2437.22	2046.51
IN-TELCO	DEM	2530.76	2530.07	2509.67	+20.40	+0.81	3072.26	2431.05

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM. A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 336 7888) or Brussels (+32 2 509 94 60)

هكذا من الأصل

صكرا من الاجل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 15	Sep 14	Sep 11	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8024.39	7945.35	7795.50	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.58	105.63	105.82	105.85 (11/9)	104.42 (11/5)	105.85 (11/9/98)	54.99 (1/10/81)
Transport	2863.70	2805.14	2679.17	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	290.98	287.04	281.56	295.40 (6/7)	262.88 (9/1)	295.40 (6/7/98)	16.53 (8/7/32)

DJ Ind. Day's high 8067.21 (8081.28) Low 7840.30 (7848.03) (Theoretical♦) Day's high 8035.72 (8038.05) Low 7881.50 (7786.53) (Actual♦)

Standard and Poors	Sep 15	Sep 14	Sep 11	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1037.68	1029.72	1009.06	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1234.18	1228.66	1206.72	1390.48 (17/7)	1077.40 (9/1)	1390.48 (17/7/98)	3.52 (30/6/32)
Financial♥	113.12	110.74	107.31	147.89 (14/7)	102.26 (10/9)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	513.92	510.21	500.03	609.75 (17/7)	480.60 (31/8)	609.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	624.28	619.30	613.27	753.67 (22/4)	565.07 (31/8)	753.67 (22/4/98)	524.20 (16/7/86)
NASDAQ Cmp	1676.11	1665.89	1641.84	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	357.73	357.72	353.62	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.38 (7/12/93)

■ RATIOS

	Sep 11	Sep 4	Aug 28	Year ago
Dow Jones Ind. Div. Yield	1.91	1.95	1.84	1.89
	Sep 9	Sep 2	Aug 26	Year ago
S & P Ind. Div. yield	1.43	1.47	1.33	1.54
S & P Ind. P/E ratio	29.54	28.84	30.83	24.80

US DATA

■ MARKET ACTIVITY

● Volume (million)	Sep 15	Sep 14	Sep 11
NYSE	726.351	715.271	823.363
Amex	24.981	27.488	38.631
NASDAQ	687.443	688.796	708.557

NYSE	Sep 15	Sep 14	Sep 11
Issues Traded	3,523	3,533	3,507
Rises	1,745	2,105	2,058
Falls	1,299	1,001	994
Unchanged	479	427	455
New Highs	20	24	24
New Lows	182	174	380

■ NYSE TRADING ACTIVITY — Volume : 726,351,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
RJR Nb	18,032,800	26⅞	+2⅞
Telebras	11,172,200	72	+13½
LucentTch	11,048,400	74½	−2¾
Chaseh	8,180,300	49¼	+2⅞
Disney	7,185,400	25¾	+⅞
Travlr	6,986,400	42⅞	+1¼
GenElec	6,217,600	78¼	−⅞
BankAm	5,795,900	52⅞	−1
Citicp	5,732,900	109¾	+2¾
Compaq	5,632,400	32¼	

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Dravo	12⅝	+5½	+79.3
Telebras	72	+13½	+23.1
Provdn	72⅜	+11⅛	+18.8
BrzlFd	12⅞	+1⅞	+16.7
Downs			
CumminEn	35⅛	−7⅛	−16.8
Conseco	10¼	−1⅝	−13.2
FruitLoom	16	−2⅜	−12.9
CKE	27⅜	−2⅝	−8.4

■ NASDAQ TRADING ACTIVITY — Volume : 687,443,000

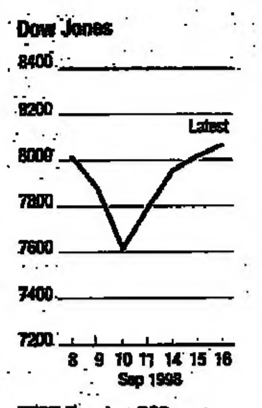
■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
WrldCm	28,959,600	45½	−2¼
Tellabs	22,109,900	41¼	+3⅝
DellCmp	16,871,900	59⅝	+⅞
3Com	15,258,600	30⅛	+2⅜
CBT ADR	13,310,400	31	−9⅛
CiscoSys	12,810,600	96⅝	+2⅞
MicsR	12,279,600	108⅛	+2⅛
Intel	11,819,000	85⅞	+⅝
Oracle	10,804,200	27	+⅛
WashMut	7,515,000	35¼	+⅞

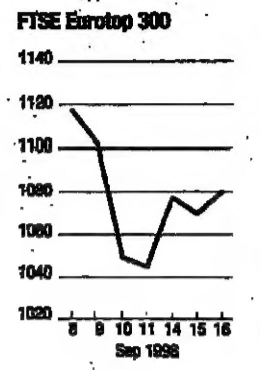
■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
ScoGallcia	12⅛	+2⅜	+23.7
AmtrlCp	32⅝	+5¼	+19.2
USWeb Cp	11¼	+1⅝	+16.9
RiskCapHld	23	+2⅞	+14.3
Downs			
WstSIA	14⅛	−5⅛	−26.3
CBT ADR	31	−9⅛	−22.7
GdyFmClth	15½	−3⅞	−20.3
DressBarn	15¾	−2¼	−12.8

Dow Jones



FTSE Eurotop 300



JAPAN

	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14197.70	closed	14227.37	17264.34	13915.63	38915.9	85.25

Day's high: 14375.57 Day's low: 14178.02.

■ TOKYO TRADING ACTIVITY — Volume : 385,000,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
LgTmCr	39,657,000	25	−13
NpSti	10,636,000	205	−3
FujiBk	8,654,000	364	−8
SumTrB	7,790,000	394	+12
Sakura	6,923,000	251	
Toshiba	6,490,000	475	+16
Hitachi	5,825,000	589	−17
BTokM	5,774,000	1065	+13
Nakakw	5,837,000	142	
SumiBnk	5,012,000	1120	+12

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
NichCp	171	+21	+14.0
IshkwS	315	+36	+12.9
Teijin	385	+38	+11.0
NkdoS	405	+34	+9.2
TshbPl	315	+21	+7.1
Downs			
LgTmCr	25	−13	−34.2
Aoyama	2810	−510	−15.4
HtCable	541	−44	−7.5

FRANCE

	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3729.32	3698.0	3714.81	4388.48	2962.54	4388.48	964.61

Day's high: 3771.78. Day's low: 3714.15

■ PARIS TRADING ACTIVITY — Volume : 523,300,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
RhonPA	2,813,108	246.9	+0.6
Alctel	2,144,998	827	−58
Rnault	1,306,604	268	−12
Axa	1,193,562	618	+25
FrTele	1,162,038	459.8	−3.7
BNP	1,130,021	371	+18
Paribas	1,070,885	425	+24
Usinor	1,054,578	60.65	−2.3
MichlnB	772,873	250.3	+3.8
SocGen	744,868	808	+16

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Rexel	523	+44	+9.2
Prom'd	3539	+241	+7.3
Paribas	425	+24	+6.0
Dassl	4730	+248	+5.5
Downs			
SAT	2212	−216	−8.9
CapGem	910	−61	−6.3
CPR	309	−19.9	−6.1
HvasAd	975	−62	−6.0

GERMANY

	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4857.97	4831.22	4896.49	6171.43	4087.28	6171.43	931.18

Day's high: 4952.45. Day's low: 4848.25.

■ FRANKFURT TRADING ACTIVITY — Volume : (a)

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Dt Bk	734,447	102.45	−1.15
Bayer	731,583	65.5	+0.9
Dt Tel	700,165	52.8	+0.8
Lufthn	482,154	35.95	+0.15
Siemns	416,203	111.5	−1.1
Cmmzbk	389,313	52	+0.6
Daimlr	360,597	154.5	+0.5
DresBk	339,833	73.6	+3.1
BayHyV	339,259	141.5	+5.5
Veba	335,165	97.65	+1.45

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
ColKoz	218	+13	+6.3
WellaPf	1445	+75	+5.5
MueRg	703	+35	+5.2
HeberPf	147.5	+7	+5.0
Downs			
BHF Bk	67.8	−7.4	−9.9
SAP	880	−63	−6.7
SKW	45.5	−3	−6.2
SAP Pf	950	−63	−6.2

UK

	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5291.7	5291.7	5268.6	6179.00	5068.80	6179	986.9

Day's high: 5363.6. Day's low: 5278.8.

■ LONDON TRADING ACTIVITY — Volume : 1,010,200,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Unilever	44,743,620	531	−11
BG	17,081,880	375½	−19½
Regent Pros	15,508,150	23	
Centrica	15,065,080	102	−3
Lloyds TSB	14,986,330	717	+40
Shell T&T	14,829,310	364	−6
Alld Zurich	14,800,090	697	+30
Pilkington	14,488,470	68½	+3½
SEP Ind	13,604,050	13½	+1½
Thomson Trvl	13,053,760	124½	+1

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Clyde Blwr	66	+13½	+25.7
Bakery Svcs	1¼	+¼	+25
Navan Res.	40½	+8	+24.6
Dentmaster	5¼	+¾	+16.7
Downs			
Celtic Res	2	−2½	−55.6
Bus. Post	365	−322½	−46.9
Claremnt Grnt	18	−4½	−20
Multimedia	2½	−½	−16.7

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	1043.00	1038.50	+2.30	1045.00	1037.50	68,028	131,869
Dec	1047.10	1049.00	+2.50	1054.00	1041.00	164,180	326,824
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open Int.**
Dec	14260.0	14070.0	−250.0	14350.0	14060.0	22,304	161,187
Mar	14260.0	14100.0	−50.0	14260.0	14100.0	7	6,182

Open Interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	3750.0	3737.0	+30.0	3780.0	3725.0	54,209	208,801
Dec	3785.0	3766.5	+30.5	3802.0	3760.5	4,113	24,739
■ DAX							
Sep	4910.0	4880.0	+23.0	4962.5	4842.0	38,740	72,402
Dec	4938.0	4885.5	−39.5	4987.5	4864.5	17,324	26,734

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	626.00	617.50	−2.50	632.00	616.00	35 086	143 199
Oct	632.00	620.75	−4.75	633.50	620.75	17 229	6,258
■ SOFFEX							
Sep	6651.0	6720.0	+149.0	6790.0	6651.0	11,007	26,999
Dec	6650.0	6740.0	+106.4	6800.0	6650.0	4,936	6 340

WORLD MARKETS AT A GLANCE

Country	Index	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	⚘ Yield	⚘ P/E
Argentina	General	15393.93	15346.88	13628.57	23495.47 23/3	12203.14 10/9	4.93	10.7
♣Shares off morning highs but still firm at start of floor trade.								
Australia	All Ordinaries	2553.2	2554.3	2510.2	2881.40 16/4	2459.20 1/9	3.62	17.7
	All Mining	567.8	574.6	574.0	713.10 23/4	489.80 31/8		
Bank sector gains held the All Ords steady while in the broader market falls edged out rises. Volume was a quiet A$611m.								
Austria	Credit Aktien	(a)	377.53	(a)	594.34 28/5	368.17 3/9	1.85	11.9
	ATX Index	1145.77	1128.41	1165.35	1628.56 28/5	1124.76 3/9		
Selective interest in banking sector took market higher although analysts cautioned that investors remained cautious.								
Belgium	BEL20	3222.37	3228.12	3232.18	3632.07 20/7	2357.78 10/1	1.77	19.9
Disappointing first-half results from several companies pulled the bourse into negative territory late in session.								
Brazil	Bovespa	7257.0	6905.0	5819.0	12239.00 15/4	4761.00 10/9	na	na
♣Shares up 5.4 per cent at midsession, having shot ahead by nearly 19 per cent on Tuesday.								
Canada	TSE 100♦	364.30	359.76	361.66	476.83 25/5	338.52 31/8	1.89	19.4
	Metals Mins♦	2897.89	2870.74	2850.79	4390.01 10/3	2500.10 31/8		
	Composite♦	5921.80	5957.00	5979.50	7822.30 22/4	5530.70 31/8		
	Portfolio§§	3088.91	3059.86†	3089.96	3985.81 25/5	2804.59 31/8		
♣Banking sector continued to gain on task force report urging abolition of ban on bank mergers.								
Chile	IGPA Gen♥	3099.73	3084.81	2960.95	4861.95 17/3	2989.95 14/9	4.45	8.3
♣Continued bargain hunting seen as investors picked up where they left off on Tuesday.								
China	Shanghai B	31.25	31.09	30.27	59.89 10/2	25.25 12/8	1.45	31.4
	Shenzhen B	86.02	68.79	63.45	98.97 10/2	49.88 13/8		
Shanghai B shares encouraged higher by strong gains in mainland shares listed in Hong Kong. Turnover expanded to $5.43m.								
Colombia	IBB	(c)	765.19	763.60	1431.46 7/1	763.60 14/9	na	na
Czech Republic	PX 50	380.5	378.8	385.3	517.30 23/3	370.70 3/9	na	na
Top stocks edged higher in limp trade on optimism for lower interest rates.								
Denmark	CopenhagenSE	636.39	638.54	638.77	778.84 7/4	601.44 11/9	1.65	16.9
Shares bucked European trend, closing weaker in market devoid of interest.								
Egypt	Cairo SE Gen	364.82	363.43	363.26	393.19 21/4	345.40 2/2	na	na
Shares edged ahead in largely stable market with trade focused on Amriyah Cement.								
Finland	HEX General	4379.40	4424.52	4521.81	5803.43 21/7	3220.43 12/1	2.36	14.1
Bourse lagged behind neighbouring markets, held back by early weakness in Nokia.								
France	SBF 250	2376.34	2361.13	2368.36	2799.73 17/7	1873.18 12/1	2.58	16.9
	CAC 40	3729.32	3698.0	3714.81	4388.48 17/7	2962.54 12/1		
Early gains trimmed as investors turned bearish following muted opening on Wall Street.								
Germany	FAZ Aktien	1554.98	1530.16	1544.24	1940.80 20/7	1334.15 12/1	1.52	20.1
	Commerzbank	4631.90	4553.0	4603.60	5712.80 20/7	3826.20 12/1		
	DAX‡	4857.97	4831.22	4896.49	6171.43 20/7	4087.28 12/1		
Market surrendered most of day's gains as Wall Street and dollar hit sentiment.								
Greece	Athens SE	2222.94	2198.82	2225.08	3825.52 21/7	1389.13 29/1	1.98	16.9
	FTSE/ASE 20	1348.41	1332.96	1351.73	1727.13 21/7	765.19 29/1		
Construction sector, industrials and OTE Telecom led market higher.								
Hong Kong	Hang Seng	7860.68	7733.47	7661.86	11810.63 25/3	6660.42 13/8	5.63	8.8
	HSCC Red Chip	810.90	782.70	761.44	1775.08 27/2	578.07 1/9		
Broadly higher as interbank rates eased. Turnover firmed to HK$4.98bn. China plays outperformed.								
Hungary	Bux	4501.84	4385.40	4597.31	8016.38 23/4	4276.82 11/9	na	na
Equities tracked foreign markets upwards, with strong outperformance seen in telecom stock Matav.								
India	BSE Sens.	3138.68	3162.18	3167.22	4280.96 21/4	2862.56 1/9		
	Crisil 500	617.31	618.88	617.24	816.82 21/4	573.02 18/8	na	na
Profit-taking pulled share prices down although analysts said market undercurrent remained firm.								
Indonesia	Jakarta Comp.	290.92	292.15	320.59	554.10 2/2	290.92 16/9	3.04	12.4
Volatile trading with shares gaining 2.6 per cent before ending lower. Falls outnumbered rises by 8 to 7.								
Ireland	ISEQ Overall	4134.98	4080.31†	4074.33	5471.81 21/4	3904.39 7/9	2.37	15.3
Banking sector at centre of attention as bourse tracked overseas markets higher.								
Israel	Tel Aviv 100	294.06	292.60	295.78	332.43 8/6	283.12 11/2	na	na
Shares rose in volatile and thin trade as activity slowed ahead of long holiday weekend.								
Italy	BCI Comit 30	303.60	298.10	300.39	388.80 20/7	254.84 2/1	2.14	21.1
	Banca Com Ital	1261.41	1253.11	1245.38	1654.36 7/4	1072.35 2/1		
	Mibtel General	20236.0	19926.0	20064.0	26377.00 6/4	17206.00 2/1		
Strong banking centre lifted market. Investors also said to be selling utilities and turning attention to industrials.								
Japan	Nikkei 225	14197.70	(c)	14227.37	17264.34 2/3	13915.63 28/8	1.04	38.9
	Nikkei 300	212.94	(c)	212.19	257.43 10/2	209.66 11/9		
	Topix	1087.50	(c)	1094.18	1300.30 10/2	1071.48 11/9		
	2nd Section	1168.73	(c)	1162.73	1461.27 12/2	1162.73 14/9		
Late futures selling pulled Nikkei into red having reached intraday high of 14,376. However, rises beat falls by 27 to 25								
Jordan	Amman SE	175.55	175.86	176.46	184.52 17/8	164.84 30/1	na	na
Mainly speculative trade in lower priced shares lifted market.								
Malaysia	KLSE Comp.	394.04	369.86	368.24	745.39 27/2	262.70 1/9	4.24	9.8
Broadly firmer in healthy volume of M$313m with brokers citing strong retail demand. Gainers trounced losers sixfold.								
Mexico	IPC	(c)	3414.68	3023.90	5204.09 2/1	2855.10 10/9	2.08	8.6
Morocco	CNSA	867.46	861.12	858.46	893.98 1/9	665.57 21/1	na	na
Netherlands	CBS TtlRtnGen	1202.6	1188.0	1208.1	1499.00 20/7	1045.20 12/1	2.33	18.6
	CBS All Shr	678.1	667.9	678.2	846.19 20/7	598.29 12/1		
Financials staged modest comeback after recent sustained maulings.								
New Zealand	Cap. 40	1747.74	1762.83	1719.26	2359.02 20/3	1719.26 14/9	5.84	15
Fletcher Forests dipped 6.3 per cent and Brierley hardened following news of restructuring of forestry joint venture.								
Nigeria	SE All-Share	5717.84	5715.23	5728.63	6694.87 11/2	2286.40 12/1	na	na
Renewed demand for leading brewer, Nigerian Breweries, pulled broad market higher.								
Norway	Oslo SE Ind	1656.72	1652.42	1699.83	2370.88 4/5	1640.70 3/9	2.18	11.9
Financials remained main winners, boosted by Tuesday's merger news involving Fokus, Christiania and Postbanken.								
Pakistan	Karachi SE	1090.16	1073.00	1085.57	1748.31 2/1	765.73 14/7	na	na
Foreign demand for PTCL – up 3.5 per cent – helped lift market.								
Peru	Lima Gen	1273.45	1278.27	1244.37	1803.91 4/5	1238.66 1/9	na	na
Philippines	Manila Comp	1176.54	1140.40	1100.76	2311.42 25/3	1082.18 11/9	2.4	8.2
PLDT soared 11 per cent in response to demand for its ADRs and news of petition against a poison pill defence plan.								
Poland	WIG	12454.3	12464.9	12438.9	18582.70 11/3	10893.70 1/9	3.51	3.8
Shares slipped after two sessions of gains in continuing absence of sustained foreign demand.								
Portugal	BVL 30	4748.78	4668.66	4707.13	6176.80 22/4	3979.27 2/1	2.13	25.1
	PSI 20	10804.82	10616.68	10701.85	14292.99 22/4	9081.84 2/1		
Wood products group Sonae Industria rose sharply on hopes for good first-half results								
Russia	RTS	(a)	62.03	63.86	411.81 5/1	61.43 3/9	na	na
Shares closed at record lows in thin trade as market's downhill slide gained speed								
Singapore	SES All-S'pore	293.69	279.37	273.56	437.98 19/3	263.20 4/9	3.32	12.6
	Straits Times	946.75	902.28	877.83	1698.75 19/3	805.04 4/9		
Property sector soared 8.3 per cent after DBS cut its prime rate by 25 basis points. DBS foreign surged 13 per cent.								
Slovakia	SAX	107.94	(c)	108.03	182.49 5/1	107.83 1.7	na	na
Leading shares mostly quiet in thin trade.								
South Africa	JSE All Share	5009.5	4846.3	4780.8	8369.70 20/4	4604.40 11/9		
	JSE Gold	996.3	1025.1	1022.5	1192.70 8/7	672.80 18/3		
	JSE Indl.	5700.8	5478.3	5398.5	9842.70 20/4	5249.80 11/9	5.7	7.4
Hopes for US rate cut, bargain hunting and buying spree by futures players lifted market.								
South Korea	KoreaCmpEx**	313.17	310.29	314.24	574.38 2/3	280.00 16/6	1.57	14.9
Gained as foreign selling eased and corporate bond yields slipped after Daewoo Corp reduced the size of proposed issue.								
Spain	Madrid SE	719.72	705.17	711.43	947.82 17/7	645.14 12/1	2.24	19.5
Sharp rise in Latin American markets sparking modest rally for Spain's hard-pressed banking sector								
Sri Lanka	CSE All Share	507.00	500.30	490.80	789.70 4/5	461.00 3/9	na	na
Continued to benefit from retail buying while foreigners were net sellers.								
Sweden	AffarsvarldsGen	3016.8	3045.3	3087.5	3856.80 20/7	2853.39 12/1	2.37	18.2
Fears that profits warning could be on way hit Ericsson and downbeat mood spilled over to broader market.								
Switzerland	SMI Index	6718.8	6585.7	6681.4	8412.00 21/7	6082.10 12/1	1.39	21
	SPI General	4232.90	4159.05	4205.77	5237.39 20/7	3761.39 12/1	na	na
Financials recovered from recent heavy selling pressure, helping to send market up 2 per cent.								
Taiwan	WeightedPr.**	6972.54	6857.98	6869.17	9277.89 2/3	6251.38 3/9	1.57	18.7
Late buying from state-linked funds pushed shares sharply higher on increased turnover of T$81.6bn.								
Thailand	Bangkok SET	218.70	211.08	211.34	558.92 3/2	207.31 4/9	5.36	33
Gained on back of easing local interest rates. Banks – up 6.7 per cent – led gains.								
Turkey	IMKB Nat 100	2127.01	2198.95	2204.97	4530.89 16/7	2127.01 16/9	4.79	9.3
Selling by foreign investors sent market to 12 month low.								
Venezuela	IBC	2945.37	2857.07	2753.75	7858.92 23/3	2694.70 10/9	na	na
♣Investors said to be taking heart from a better day for international oil prices.								
Zimbabwe	ZSE Industrial	(a)	5959.76	5706.02	8785.71 31/3	5441.65 1/9	na	na
Industrials faltered after gains of previous two sessions.								
WORLD	FT/S&P World(§)	(e)	282.99	281.52	359.82 17/7	243.89 9/1	na	na
	MS Capital Int§	991.4*	990.3	985.8	1143.80 20/7	880.50 13/1	na	na
CROSS-BORDER	DJ Stoxx 50	2896.97	2866.30	2889.40	3670.82 20/7	2574.51 12/1		
	DJ Euro Stx 50	2871.83	2847.01	2868.55	3689.48 17/7	2468.61 12/1		
	FTSE E300	1080.00	1068.36	1078.08	1327.68 20/7	971.08 12/1		
	FTSE E100	2480.59	2460.07	2476.99	3086.91 20/7	2226.40 12/1	na	na
	HSBC Drgn	(a)	165.15	163.93	273.90 25/3	182.78 7/8	na	na
	ING Barga Emrg	(e)	91.14	89.29	160.08 22/4	88.64 11/9	na	na

** Sat Sep 12: Taiwan Weighted Price (a) ; Korea Comp Ex 320.53. Montreal. ♦ Toronto. (c) Closed. (a) Unavailable. ‡ XETRA-DAX after-hours index: Sep 16, 4872.18 +20.52. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ⚘ Yields and P/E ratios are based on Datastream Total Market indices. ♣ Midsession.

THE NASDAQ STOCK MARKET

4 pm close September 16

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close September 16

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

[illegible]

Company	Mid price	Change on day	Volume	High	Low
[illegible]					

STOCK MARKETS

Greenspan fails to strike the right note

WORLD OVERVIEW

Global stock markets spent much of the day waiting to see if Alan Greenspan, the chairman of the Federal Reserve, would ride to their rescue, *writes Philip Coggan.*

The hope was that he would drop a broad hint that a US interest rate cut was imminent even if Tuesday's comments from Hans Tietmeyer, the Bundesbank president, appeared to rule out co-ordinated G7 rate cuts.

In the event, Mr Greenspan's official testimony made no reference to US or G7 monetary policy, disappointing the optimists.

European and Asian markets had already closed mostly higher before Mr Greenspan started speaking. Wall Street, where the Dow Jones Industrial Average had been 50 points ahead before the testimony, lost its gains and moved into negative territory when it saw the text of his remarks. Strong US industrial production numbers, reported earlier, were distorted by the end of the GM strike.

In early trading, Latin America continued the rally which saw a startling 18 per cent rebound in the Brazilian stock market on Tuesday. That owed much to hopes of G7 action to prop up the South American country. But some analysts have doubts whether instant solutions can be delivered.

"There are some awkward questions, like 'How can the IMF/G7 stand ready to help, if there are no funds available?' and 'How long would it take for Congress to agree to any emergency funding'?" said *Robin Aspinall* of National Australia Bank.

"The rally in the Latin American region has been massive since the low on Thursday," points out Crawford Burden of Deutsche Morgan Grenfell. "This is a big liquidity-driven rally in oversold markets. Until there is a resolution of the interest rate burden on the Brazilian debt and a decline in the fiscal deficit, any global help is just a band-aid. We would sell into strength."

J. P. Morgan strategist Gary Dugan fears that a Brazilian devaluation would spread to the rest of the continent and cause a sharply adverse reaction on Wall Street.

● Meanwhile, Barings became the latest indexing group to take a position on Malaysia, deciding to retain the country in its Emerging Markets index despite the imposition of currency and capital controls.

"On the basis of what is currently known, the country remains investable, but only partially redeemable and this is not sufficient by itself to warrant its exclusion," said Simon Hookway, global head of quantitative equity research with ING Barings.

Dow rallies ahead of Fed chief's speech

AMERICAS

Wall Street turned higher after a sluggish morning as investors awaited afternoon testimony by Alan Greenspan, the Federal Reserve chairman, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average had climbed 41.71 to 8,066.10. Coming on top of three days of sharp rallies, it was the strongest sign of positive investor sentiment in nearly a month.

The Standard & Poor's 500 index was up 4.24 at 1,041.92 while the Nasdaq composite gained 12.52 to 1,690.63.

Stock prices strengthened in the hour before Mr Greenspan's testimony as investors awaited the latest signal into the workings of the Fed.

"What they are looking for at a bare minimum is further validation that the Fed would lower interest rates *for reasons in addition to a* US slowdown," commented James Weiss, deputy chief investment officer of equities at State Street Research in Boston.

Such a view would confirm suggestions made by the Fed chairman that the threat of emerging market turmoil now plays a greater role in US monetary policy.

While the main indices suggested the market remained cautiously optimistic that interest rates might be lowered soon, beneath the surface analysts were hard at work on the task of changing their outlooks for some of the most widely held stocks.

Among Dow components, General Electric was 2\frac{5}{16}$ higher at $80¾ after Merrill Lynch raised the stock to a near-term "buy". Telecoms leader Lucent Technologies gained $2¼ to $76¾ after Paine Webber upped the stock to a "buy".

Charles Schwab gained 2\frac{11}{16}$ to 39\frac{15}{16}$ after the discount broker said it expected third-quarter income to be above expectations.

Steel company Carpenter Technology fell more than 14 per cent to 31\frac{1}{16}$ after it discussed the impact of the recent strike at General Motors on its results.

Retailer Venator rose 4.5 per cent to $10¾ following the announcement of sweeping reorganisation plans.

TORONTO moved higher in light volumes, with most investors sidelined ahead of the latest monetary progress *report from Alan Greenspan,* the US Fed chairman.

At the noon count, the benchmark 300 composite index was up 48.06 at 5,905.10 with the banks providing most of the early drive.

Royal Bank of Canada gained 60 cents at C$67.20 and Bank of Montreal added 50 cents at 62.65.

Among industrials, Northern Telecom rallied C$1.50 to C$66.80, partly reversing Tuesday's C$4.45 setback driven by lay-offs.

Golds were dull. Barrick eased 40 cents to C$26 and Placer Dome came off 15 cents at C$17.60.

Latin America boosts Madrid

EUROPE

A further burst of Latin American fireworks helped to lift **MADRID.**

At the close of European trading, Latin American markets were steeply higher, sparking a modest rally for Spain's hard-pressed banking sector and lifting the general index 14.55 or 2.1 per cent to 719.72.

Down more than a third since late July, the banks came in for rough treatment yesterday from CS First Boston, which cut its weighting and downgraded BBV from "buy" to "hold" on Latin American currency concerns. But BBV improved Pta30 to Pta1,545 and Santander Pta130 to Pta2,320.

Telefónica jumped Pta270 or 5.3 per cent to Pta5,380, while insurance leader Mapfre rose Pta45 to Pta3,145 following an upbeat presentation to analysts.

ZURICH climbed 2 per cent as the financial sector put in a more confident performance after the recent selling pressure induced by events in Russia and Asia.

The SMI index rose 132.9 to 6,718.6, supported by *derivatives-linked buying* and further strength on Wall Street.

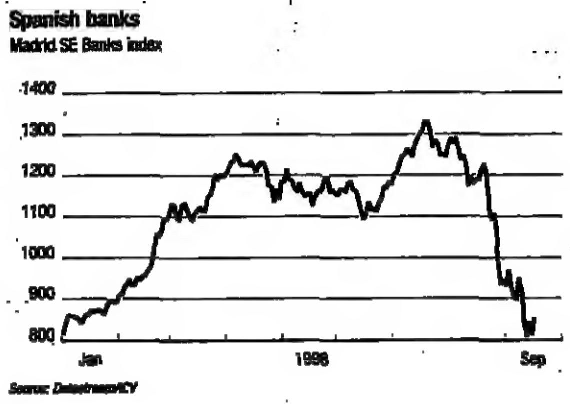
UBS tested a high of SFr452.50 in midday trade as the market pondered a report that the ailing Long *Term Credit Bank of Japan* was drawing up plans for the Swiss bank to buy out most of their joint ventures. By the close, UBS was SFr15 higher at SFr444. CS Group rose SFr1.75 to SFr209.

Among insurers, Baloise gained SFr46 to SFr1,096 on news of a 31 per cent rise in first-half net profit.

Nestlé climbed SFr48 to SFr2,768 ahead of tomorrow's interim results when the company is expected to unveil a 4.3 per cent rise in net profits.

PARIS put Tuesday's modest losses behind it to close with the CAC 40 index up 31.32 at 3,729.32. Firmer banks made amends for weakness among motor stocks.

Financials pushed higher on a broad front, with Axa-UAP ahead FFr26 at FFr618 and a FFr24 rise to FFr425 at Paribas leading the banks higher. BNP gained FFr18 at FFr371 and Société Générale FFr16 at FFr806.



Source: Datastream/ICV

Promodès jumped FFr241 or 7.3 per cent to FFr3,539 following an a positive note from Merrill Lynch, which expects the retailer to achieve growth "far in excess of its peers" this year and for the next two years.

Renault reversed initial gains to close FFr12 lower at FFr268 in the aftermath of strong interim results. Valeo, which hinted at slowing profits in Europe, fell FFr3.60 to FFr469.40.

Software leader Cap Gemini, which put out strong interim results late on Tuesday, came off FFr61 at FFr910. Alcatel was also a heavy faller, dropping FFr58 at FFr927.

FRANKFURT surrendered the best of its early gains to close modestly higher as weakness on Wall Street late in German trading and an easier dollar took their toll. The Xetra Dax index dipped from a high of 4,958 to finish 20.62 up on the day at 4,872.18.

SAP tumbled DM53.90 to DM969.50 as the company sought to deny rumours in the market that a profit warning was on the way.

Among financials, Allianz was up DM12 to DM513 ahead of today's half-year figures. Munich Re was also higher, up DM29 at DM705.

BHF-Bank fell DM7.40 to DM67.60 as the news that the Dutch banking group, ING, had raised its stake to 39 per cent removed buoyancy from the shares.

Dresdner Bank rose DM3.61 to DM74.61 on selective buying, while Hypo-Vereinsbank gained DM4 to DM143 and Commerzbank rose DM1.10 to DM52.

AMSTERDAM gained 2.64 to 1,027.34 on the AEX index with strong gains for selected financials plus an 8.3 per cent surge at KPN providing the firepower.

ABN-Amro advanced Fl 1.20 to Fl 39 and ING gained Fl 4.70 or 4.4 per cent to Fl 110.50. Telecoms leader KPN, hit recently by tariff cut scares, rallied strongly, adding Fl 5.30 to Fl 69.30 on 3.6m shares traded.

Internationals had a dull *session. Philips shed* Fl 2.60 to Fl 110.40 and Unilever, where sentiment was muddied by a big share placing in the UK arm of the group, fell 60 cents to Fl 128.40.

MILAN was lifted by strong banking shares and the real-time Mibtel index, up 3 per cent at one stage, finished 370 ahead at 20,296.

Among banks BNL savings shares were suspended limit up for the third straight day ahead of its privatisation next month. At the close, the shares were L398 higher at L5,622.

Alitalia, which was sharply lower on Tuesday on reports that the European Union had rejected Italy's Malpensa airport plan, rebounded L94 to L5,786.

Pirelli soared L258 to L5,306 after its recent Latin American-related losses.

STOCKHOLM saw a sharp retreat in telecoms equipment maker Ericsson as the market buzzed with rumours that the company was preparing to downgrade earnings forecasts or issue a profit warning. By the close, Ericsson B shares were SKr11.50 or 6.7 per cent lower at SKr158.50 in spite of the company's insistence that it was not withholding any information which could affect the share price.

The general index finished 27.23 lower at 2,945.88.

In **HELSINKI**, Nokia took an early tumble in the wake of the Ericsson story. But by *the close, the shares* had recovered and were quoted FM3.50 higher on the day at FM427. The general index closed 45.22 lower at 4,379.40.

Written and edited by Michael Morgan, Jeffrey Brown and Peter Hall

São Paulo surges 5% after IMF loan talks

Latin American markets continued to race higher as currencies stabilised against a background of IMF talks aimed at providing the region with special emergency loans.

SAO PAULO was 5.4 per cent higher on the Bovespa index at midsession, having shot ahead by nearly 19 per cent on Tuesday – its steepest one-day gain for 42 months – and advanced by 39 per cent over the past three sessions.

The benchmark gained 371 to 7,276 in good two-way volumes as new-found confidence took hold of sentiment. Telecoms giant Telebrás provided the bulk of the early drive, rising 7.7 per cent to R$91.00. Eletrobrás gained 1.8 per cent to R$28.40.

CARACAS rose 3.9 per cent or 110.68 to 2,967.75 on the IBC index at midsession with investors taking heart from a better day for international oil prices – Brent Blend clawed back above $13 a barrel – as well as hopes for IMF intervention.

SANTIAGO was backmarker among the bigger centres. At midsession, the IPSA index was 0.81 or 1.4 per cent ahead at 60.13 in what brokers described as good volumes.

They cited continued bargain hunting as investors picked up where they left off on Tuesday.

Johannesburg rises again

SOUTH AFRICA

Shares in Johannesburg improved for the third day running, pushed along by futures-related buying.

The all share index gained 3.4 per cent to 5,009.5 as today's close out for the main equity future sparked a wave of cash market buying.

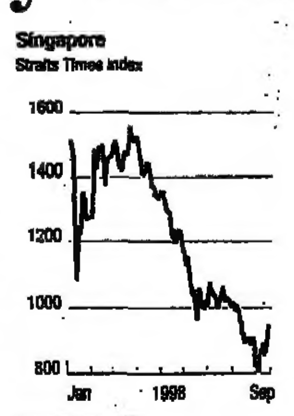
Demand for financials was heavy and the sector index jumped 6.4 per cent to 7,021.5.

Golds were the odd man out with the index reversing all the previous day's rally with a fall of 2.8 per cent to 996.3.

Property stocks lift Singapore

ASIA PACIFIC

Strong demand for property shares sent **SINGAPORE** ahead almost 5 per cent and the benchmark Straits Times index closed up 44.47 at 946.75 after reaching a high for the session of 952.98.



Source: Datastream/ICV

Property stocks surged after another of the big four banks cut its prime rate by a quarter point to 7.5 per cent. The sector index jumped 8.3 per cent in brisk turnover.

Keppel Land rose 8.5 cents to S$0.77 on volume of 20m shares and Wing Tai Holdings gained 6 cents to S$0.70 with almost 18m shares changing hands.

BANGKOK also got a boost from softer local money markets which helped to lift the banks sector 5.9 per cent.

Krung Thai Bank rose Bt0.60 to Bt6.50 and Thai Farmers Bank added Bt1.75 to Bt19. Industrial Finance Corporation was the day's most active stock, gaining Bt1.10 to Bt6.90.

The SET index climbed 7.43 or 3.5 per cent to 216.51 in relatively active turnover of Bt2.7bn.

TOKYO was dragged lower by investor scepticism about apparent progress in the political debate on a bill to rescue the financial system, *writes Alexandra Harney in Tokyo.*

The Nikkei 225 Average reversed early gains to close down 29.67 at 14,197.7 after trading narrowly between 14,176.02 and 14,375.57. Volume was light at only 385m shares. The Topix index of all first sector shares gained 3.34 to 1,067.5. In Osaka, the OSE average gained 35 to 14,909.

Although modestly higher, the financial sector remained at the centre of investor worries. Long Term Credit Bank of Japan lost Y13 at Y25.

On Monday, the stock had slipped as low as Y19, with the market concerned about the bank's sizeable liquidity troubles.

Fuji Bank slid Y8 to Y364 but Sumitomo Bank improved Y12 to Y1,120 and the Bank of Tokyo-Mitsubishi was up Y13 to Y1,065. The securities companies sector improved 2 per cent.

Blue-chip stocks and industrials were mixed. Hitachi, the troubled electronics group, was down Y17 to Y589, while Toshiba was up Y16 at Y476.

Toyota Motor gained Y40 to Y2,795 and Nissan Motor improved Y25 to Y444. Suzuki, which announced a strategic alliance with GM Motors, the US group, dropped Y2 to Y1,238.

MANILA pushed higher as a wave of buying rolled over PLDT. The telecoms giant jumped 80 pesos or 9.6 per cent to 810 pesos following overnight gains for the ADRs in New York.

The composite index ended 36.14 or 3.2 per cent higher at 1,176.54.

HONG KONG's blue chips drew strength from the positive tone in overseas markets, but recently oversold China-linked shares outperformed on Beijing's plans to stimulate its economy with reconstruction spending.

The Hang Seng index advanced 127.21 to 7,860.68 as red chips climbed 3.6 per cent and H shares surged 7.5 per cent.

Property stocks edged ahead. Salomon Smith Barney has recommended investors to underweight the sector, forecasting a sharp pull back in prices over the next six months.

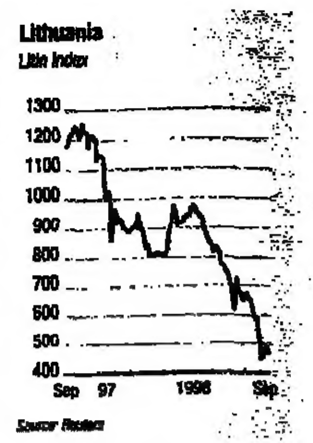
In spite of falling 45 per cent from their peak in September 1997, Salomon expects a further 20-25 per cent decline in primary mass residential prices and 30-35 per cent declines in luxury residential and secondary market prices.

TAIPEI climbed 1.7 per cent as a round of late buying, probably by state-linked funds, drove financials 1.9 per cent higher and electronics up 2.1 per cent. The weighted index put on 114.58 to 6,972.54.

EMERGING MARKET FOCUS

Vilnius prepares for more falls

From its high for the year in mid-March when the Litin index approached the 1,000-point level, the Lithuanian bourse has fallen to unprecedented lows following the Russian debt default and widespread turmoil in other emerging markets.



Source: Reuters

By the end of August, the index had fallen to 445 but it has since recovered slightly, closing yesterday at 455.

So far, Lithuanian banks, heavily weighted in the index, do not appear to have lost much money in the de facto default on Russian government debt.

Bank of Lithuania, the central bank, estimates total banking system exposure to Russia at the beginning of September was 133m litas ($33m), or 1.4 per cent of total assets.

Of that, 32m litas was held in Russian short-term GKO treasury bills, and up to 85m litas in deposits in correspondent banks in Russia.

The two leading banks, Vilnius and Hermis, have said their exposure was very small, while another bank, Snoras, claimed it had managed to sell off – without taking a loss – its 80m litas of GKO T-bills after the default was announced. Local analysts remain sceptical and anxiously await "surprises". The caution is reflected in the share price of Hermis, which has halved since July.

The market has steadied in the past two weeks, hoping for good news in the second-round tender to privatise the state-owned Agricultural bank. But Finland's Merita bank, on which high hopes were placed, did not make a bid, and the only – low – bidder was Latvia's Parex bank.

Regarded by some analysts as "a dog", Agricultural bank has been losing market share and needs to be restructured. Augustas Staniulis, analyst at Hansabank Markets in Vilnius, says it could provide a potential buyer with a license for banking activities but it is not a bank into which a strategic investor would buy.

The extent of the banking system's loans to companies exporting heavily to Russia could be substantial. About 24.5 per cent of Lithuania's exports go to Russia and several companies have said they will be hit by the economic crisis.

Endokrininiai Preparatai, Lithuania's second largest pharmaceutical company, has ceased production because it is not sure of receiving payment for its exports to Russia.

While about 60 per cent of pharmaceutical sector exports go to Russia and the crisis may dent trade, Mr Staniulis said the falling rouble may hurt west European companies that trade in dollars to the benefit of Baltic ones.

Clouds are also gathering as Lithuania's parliament votes next week to impose a capital gains tax on individual Lithuanian investors, who account for about 17 per cent of all investments in the bourse. Lawmakers have to decide between a 29 per cent tax or the 15 per cent counter-proposal by Lithuania's president. Either way, the bourse is likely to fall further as the law comes into effect next January.

Matej Vipotnik